



City of Ocala, Florida

Ocala

Find your place



**Comprehensive Annual Financial Report
For September 30, 2013**

CITY OF OCALA, FLORIDA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the fiscal year ended

September 30, 2013

Prepared by:

Office of Budget and Finance

Diane C. Reichard, CPA, CGMA, CGFO, CPFO

CFO/Asst City Manager

Mary Ann Davis, CGFM

Finance Director



This page intentionally left blank.

**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013**

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL.....	i
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING	viii
LIST OF OFFICIALS.....	ix
CITY OF OCALA ORGANIZATION CHART	x

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	18
Statement of Activities	19
Balance Sheet – All Governmental Funds.....	21
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	24
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds.....	31
Statement of Fiduciary Net Position.....	35
Statement of Changes in Fiduciary Net Position	36
Notes to Financial Statements	37

**CITY OF OCALA, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2013**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION - CONTINUED

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	87
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – CRA Fund	88
Historical Trend Information for Pension Trust Funds - Schedule of Funding Progress	89
Historical Trend Information for Pension Trust Funds - Schedule of Contributions from Employer and Other Contributing Entities	91
Historical Trend Information for Other Postemployment Benefits	93

SUPPLEMENTAL INFORMATION:

List of Nonmajor Governmental Funds	94
Combining Balance Sheet – Nonmajor Governmental Funds	96
Combining Statement of Revenues, Expenses and Changes in Fund Balances – Nonmajor Governmental Funds	97
Nonmajor Governmental Funds - Special Revenue Funds:	
Combining Balance Sheet	98
Combining Statement of Revenues, Expenditures and Changes in Net Position	100
Schedules of Revenues and Expenditures - Budget and Actual:	
Downtown Development Fund	102
Local Gasoline Tax Fund	103
Stormwater Utility Fund	104
SHIP Local Housing Assistance Fund	105
Nonmajor Governmental Funds - Debt Service Funds:	
Combining Balance Sheet	106
Combining Statement of Revenues, Expenditures and Changes in Net Position	108
Schedules of Revenues and Expenditures - Budget and Actual:	
2003 Improvement Certificates Fund	110
2007-A Improvement Certificates Fund	111
2007-B Improvement Certificates Fund	112
2012 Improvement Certificates Fund	113
2013 Improvement Certificates Fund	114
2002 Optional Gas Tax Bonds Fund	115
Nonmajor Governmental Funds - Capital Project Funds:	
Combining Balance Sheet	116
Combining Statement of Revenues, Expenditures and Changes in Net Position	117

**CITY OF OCALA, FLORIDA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED SEPTEMBER 30, 2013**

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION – CONTINUED

SUPPLEMENTAL INFORMATION - CONTINUED

Nonmajor Governmental Funds - Capital Project Funds - Continued:

Schedule of Revenues and Expenditures - Budget and Actual:

2002 Capital Improvement Fund	118
2007-A Capital Improvement Fund	119

Internal Service Funds:

List of Internal Service Funds	120
Combining Balance Sheet	121
Combining Statement of Revenues, Expenses and Changes in Net Position	122
Combining Statement of Cash Flows	123

STATISTICAL SECTION

Description of Schedules	125
Net Position by Component - Last Ten Fiscal Years	126
Changes in Net Position by Component - Last Ten Fiscal Years	128
Fund Balances of Governmental Funds - Last Ten Fiscal Years	132
Changes in Fund Balances of Governmental Funds- Last Ten Fiscal Years	134
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	136
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	138
Principal Property Taxpayers - Current and Nine Years Ago	139
Property Tax Levies and Collections - Last Ten Fiscal Years	140
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	141
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	142
Direct and Overlapping Governmental Activities Debt	143
Legal Debt Margin Information	144
Pledged Revenue Coverage - Last Ten Fiscal Years	146
Demographic and Economic Statistics - Last Ten Fiscal Years	148
Principal Employers - Current and Nine Years Ago	149

**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013**

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION - CONTINUED

Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	150
Schedule of Airport Subsidy Cash Flow Analysis	152
Operating Indicators by Function – Last Ten Fiscal Years.....	154
Capital Assets and Other Statistics by Function – Last Ten Fiscal Years	156

OTHER REPORTS

Additional Elements of Report Prepared in Accordance With *Government Auditing Standards*, Issued by the Comptroller General of the United States; the Provisions of Office of Management and Budget (OMB) Circular A-133; and the Chapter 10.550, *Rules of the Auditor General* of the State of Florida

Schedule of Expenditures of Federal Awards and State Projects	158
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	160
Independent Auditors' Report on Compliance with Requirements that could have a direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.....	162
Schedule of Findings and Questioned Costs – Federal Award Programs and State Projects.....	164
Management Letter	166
Management Letter Comments	168
Management's Responses to Auditor's Recommendations	172



Find your place

OFFICE OF BUDGET AND FINANCE
110 SE WATULA AVENUE
OCALA, FLORIDA 34471

March 19, 2014

To the Honorable Mayor, Members of the City Council and
Citizens of the City of Ocala, Florida,

It is our pleasure to submit this *Comprehensive Annual Financial Report* for the City of Ocala, Florida for the fiscal year ended September 30, 2013. The report fulfills the requirements set forth in the *Florida Statutes*, Chapter 166.241 and the *Rules of the Florida Auditor General*, Chapter 10.550. The organization, form and content of this report together with accompanying financial statements and statistical tables are formulated in accordance with the principals prescribed by the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants, the State of Florida and the Government Finance Officers Association.

This report consists of management's representations concerning the finances of the City of Ocala. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Since the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Purvis, Gray and Company, a firm of licensed certified public accountants, has audited the City of Ocala's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements for the year ended September 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis

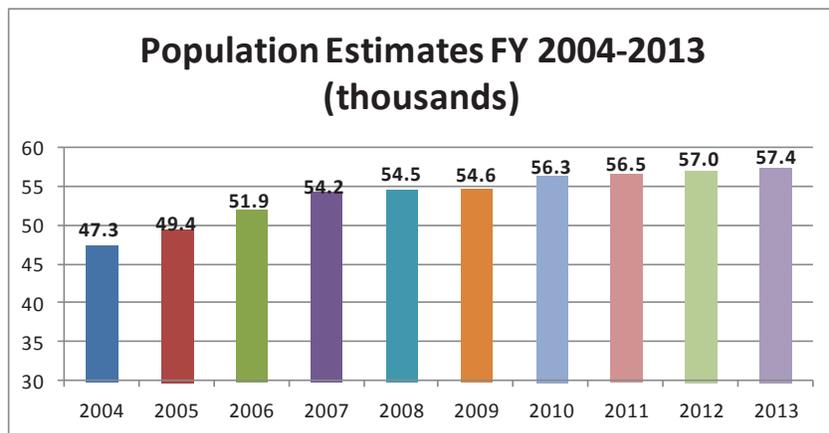
for rendering an unqualified opinion on the City’s financial statements for the fiscal year ended September 30, 2013, as fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

Profile of the City

The City of Ocala is the most populous city in and serves as the county seat of Marion County. Ocala is located in north central Florida approximately 67 miles northwest of Orlando and approximately 40 miles east of the Gulf of Mexico near the site of Ocale, a major Timucua village and chiefdom during the 16th century. The City takes its name from the historical village, the name of which is believed to mean “Big Hammock” in the Timucua language. There are approximately 44 square miles of land included within the corporate boundaries of the City. The City’s population has been trending upwards for the last ten years and as of April 1, 2013, the official population estimate was 57,387.



In 1846, the City of Ocala was established to operate under a Council-Manager form of government. The City Council consists of six elected officials (the Mayor and five Council members) who are responsible for enacting the ordinances and resolutions which

govern the City. The Council appoints the City Manager, City Auditor, City Attorney, and the City Clerk. The City Charter states the City Manager shall be the Chief Administrative Officer of the City and shall be responsible to the Council for the administration of all City affairs placed in his charge by or under the Charter.

The City of Ocala provides its constituents with a wide variety of public services as listed below:

- ✓ electrical power
- ✓ code enforcement
- ✓ telecommunications
- ✓ golf course
- ✓ airport
- ✓ community and economic development
- ✓ police and fire protection
- ✓ mass transit
- ✓ water and waste water
- ✓ cultural affairs
- ✓ parks and recreation
- ✓ storm water management
- ✓ street maintenance, traffic engineering and parking
- ✓ refuse collection
- ✓ building inspections

Internal support services include the following:

- ✓ accounting and reporting
- ✓ accounts payable and accounts receivable
- ✓ asset management and property control
- ✓ budget and budget monitoring
- ✓ cash and investment management
- ✓ City-wide management
- ✓ debt management
- ✓ fleet maintenance
- ✓ facilities maintenance
- ✓ human resources and risk management
- ✓ internal audit
- ✓ information and computer systems
- ✓ labor relations
- ✓ procurement services
- ✓ public relations
- ✓ strategic planning

Operating funds required to support the above-stated services are reflected in this report. This report includes all funds that are controlled by or are dependent on the City Council.

In addition to the above activities, the City exercises oversight responsibility for the Community Redevelopment Agency. Accordingly, these activities are included in the reporting entity and reflected in this report. Note 1 in the *Notes to the Financial Statements* lists specific criteria used for establishing oversight responsibility.

The City also maintains budgetary controls. The objective is to ensure compliance with legal provisions contained in the annual budget approved by the City Council. Annual budgets are legally adopted for all funds including the *general funds*, *special revenue funds*, *enterprise funds*, *internal service funds*, *fiduciary funds*, *debt service fund*, and *capital projects funds*. Budgets are controlled at the department level and total expenditures may not legally exceed appropriations for each budgeted fund without Council approval. Encumbrance accounting is utilized in order to reserve the encumbered portion of the appropriation. Appropriations lapse at year end and outstanding encumbrances are re-appropriated as part of the subsequent year's budget.

Factors Affecting the City's Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy. Horse breeding, dominated by Thoroughbreds and Arabians, is a major industry in the Ocala area. The tourist industry also has a significant impact on the economy, with the Silver Springs and Rainbow Springs attractions and the Ocala National Forest nearby. In addition, Ocala has become a center for manufacturing, logistics, and distribution type companies including Signature Brands, LLC, and Cheney Brothers, Inc. Other major economic development projects include FedEx Ground Package Systems, Inc., R&L Carriers, Inc., Krausz, Inc., and PAVCO Furniture, LLC (d/b/a Admiral Furniture), all approved by City Council to establish or expand major facilities within the City.

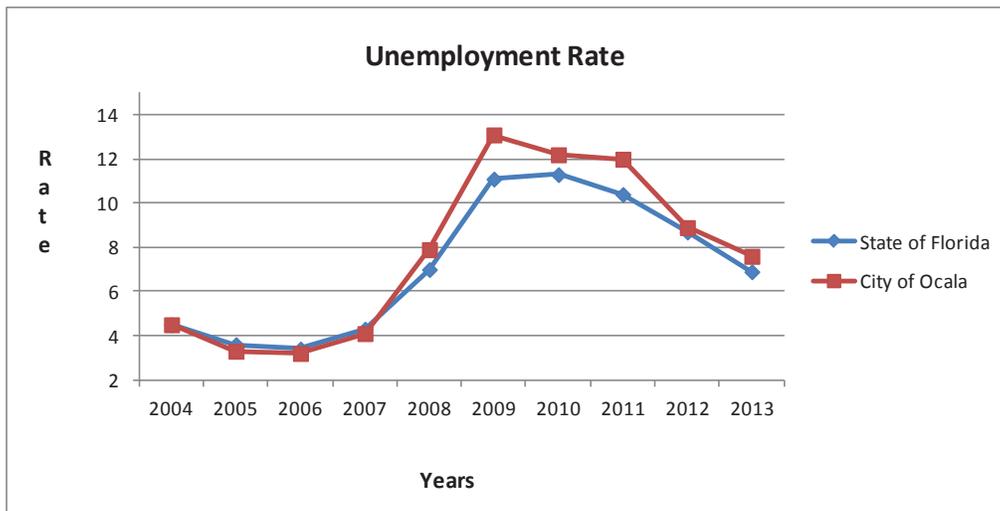
FedEx Ground acquired 150 acres at the Ocala/Marion County Commerce Park to construct a distribution hub facility of approximately 383,161 square feet. The company's estimated capital investment to construct the facility is \$75 million and \$38 million for machinery and equipment. Over a three-year period, FedEx Ground agreed to create a minimum of 165 new full-time jobs including management, administrative and package handling personnel with average annual wages of \$31,536.

R&L Carriers estimated capital investment for building renovations, machinery and equipment is \$4,400,000. R&L Carriers agreed to, over a four-year period, at least 250 new full-time jobs including technology, telecommunications and logistics management positions with an average annual wage of \$47,700.

Krausz, Inc.'s estimated capital investment to renovate an existing vacant facility and acquire machinery, furniture, equipment, computers and computer software is \$200,000. Over a three-year period, Krausz will create at least 22 new full-time jobs including permanent manufacturing positions with an average annual wage of \$68,000 not including benefits.

Admiral Furniture, in business in Ocala since 2004, acquired Sundrella Furniture to expand their outdoor furniture manufacturing operation with an estimated capital investment of \$50,000 used to renovate a recently acquired facility. Admiral Furniture will create, over a three-year period, 50 new jobs and will retain 9 existing positions with a total average annual wage of \$27,248.

The City's unemployment rate decreased from 8.9% at this time last year to 7.6%, which is higher than the state and national averages of 6.9% and 7.2% respectively.



The General Fund's main revenue sources include Property Tax, State Revenue Sharing, Half Cent Sales Tax and the transfer from the Electric Fund. Due to the uncertainty in the economic climate, the General Fund endured consecutive annual multimillion dollar deficits. For Florida, the extreme financial and economic stress experienced during the recession reached its lowest point during the spring of 2010. According to the State Revenue estimate, Florida property values are expected to increase 2.1%, 3.5% and 4.5% over the next three years. No notable increase is expected in revenue sources related to population due to slow growth within the city limits. The City share of population versus the unincorporated areas of Marion County has not been keeping pace. In the August 2013 issue, Forbes Magazine recognized Ocala as one of the top 10 cities in the Country for future job growth. In fact, Ocala was the only City located east of the Mississippi River recognized by Forbes ---Forbes projects an annual job growth rate for Ocala of 3.4%.

Long-term Financial Planning. Both General Government and the City-owned Utility develop multi-year financial forecasts, including capital improvement plan. Some of the key projects in these capital improvement plans are:

- Wayfinding signage program
- Recurring annual funding for the following areas:
 - Annual City-wide resurfacing and sidewalk program
 - Facilities maintenance
 - Fleet management
 - Information technology upgrades
- Infrastructure for Ocala 489 development project
- Overhead/Underground/Lighting work orders
- Substation upgrades
- Drainage well upgrades
- Water and sanitary sewer main improvements and extensions
- Multiple Community Park improvements
- Osceola Linear Park

Key Management Practices. The City has adopted and complied with the following key management practices:

- **General Fund Reserve Policy** – The General Fund will maintain an operating reserve of not less than 20 percent of planned budget expenditures.
- **Debt Management Policy** – Outlines allowable debt issuance purposes, debt structure, limitations on debt levels, allowable types of debt, promotes sound financial management and enhances the City’s credit ratings.
- **Capital Improvement Plan** – Requires the City to develop and implement a five-year capital improvement plan to anticipate long-term capital needs.
- **Electric Rate Stabilization Reserve (ERSR)** – The maximum targeted funding level for the ERSR is 25% of projected annual fuel costs with the minimum level set at 15%.
- **Three-year Budget Model** – The City will develop and maintain a comprehensive three-year budget model to assist in making financial decisions regarding long-term revenue and expenditure requirements.

Awards and Acknowledgements

The Commission for Florida Law Enforcement Accreditation Inc. awarded the Ocala Police Department Accredited Agency Status in February 2014. The Accreditation status is valid for a period of three years. Since its first award in 2008, the department has been evaluated on 250 separate standards and ultimately received re-accreditation. Accreditation is a highly recognized means of acquiring and maintaining standards of competency, proficiency, professionalism, and service to the community.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ocala for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2012. This was the twenty-ninth year the City has received this prestigious award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

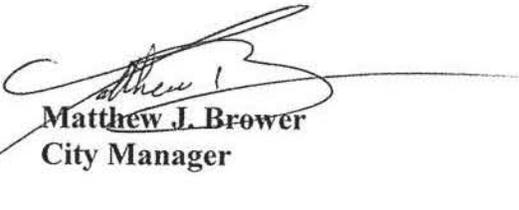
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to GFOA.

The GFOA also presented an Award for Distinguished Budget Presentation for the City's Annual Budget for the fiscal year beginning October 1, 2012, making the twenty-third year the City has received the award. It is based on a governmental unit's publishing a budget document that meets program criteria as a policy document, operations guide, financial plan, and communications medium.

A Comprehensive Annual Financial Report could not have been prepared without the efficient and dedicated services of many individuals responsible for its completion. The utmost appreciation is extended to employees throughout the organization who maintained financial records upon which this report is based. The year-end closing procedures required prior to the audit and the document preparation could not have been accomplished without the professional efforts of Finance Director, Mary Ann Davis. Special recognition is given to the employees of the Office of Budget and Finance who worked diligently to ensure the timeliness and accuracy of the report.

The Mayor, Council President, and Council members' continued support in planning and conducting the City's financial operations in a responsible manner are sincerely appreciated. This has proven to be an invaluable asset in the preparation of this report which is geared toward reflecting the financial health of the community while complying with the City's fiduciary responsibility. Their leadership demonstrates the interest to maintain a fiscally sound government.

Respectfully submitted,



Matthew J. Brower
City Manager



Diane Reichard, CPA, CGMA, CGFO, CPFO
Chief Financial Officer/ACM



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Ocala
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

**CITY OF OCALA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2013**

CITY COUNCIL – Elected Officials

R. Kent Guinn, Mayor
Mary S. Rich, President
John McLeod, President Pro-Tem
Daniel Owen
Suzy Heinbockel
Jay Musleh

APPOINTED OFFICIALS

City Manager
City Attorney
City Clerk
Internal Auditor

Matthew J. Brower
Patrick G. Gilligan
Angel Jacobs
Jeanne Covington

CABINET MEMBERS

Assistant City Manager Public Services
Assistant City Manager Community Development
Assistant City Manager Utility Services
Chief Financial Officer/Assistant City Manager
Assistant City Manager/Chief of Staff Support Services

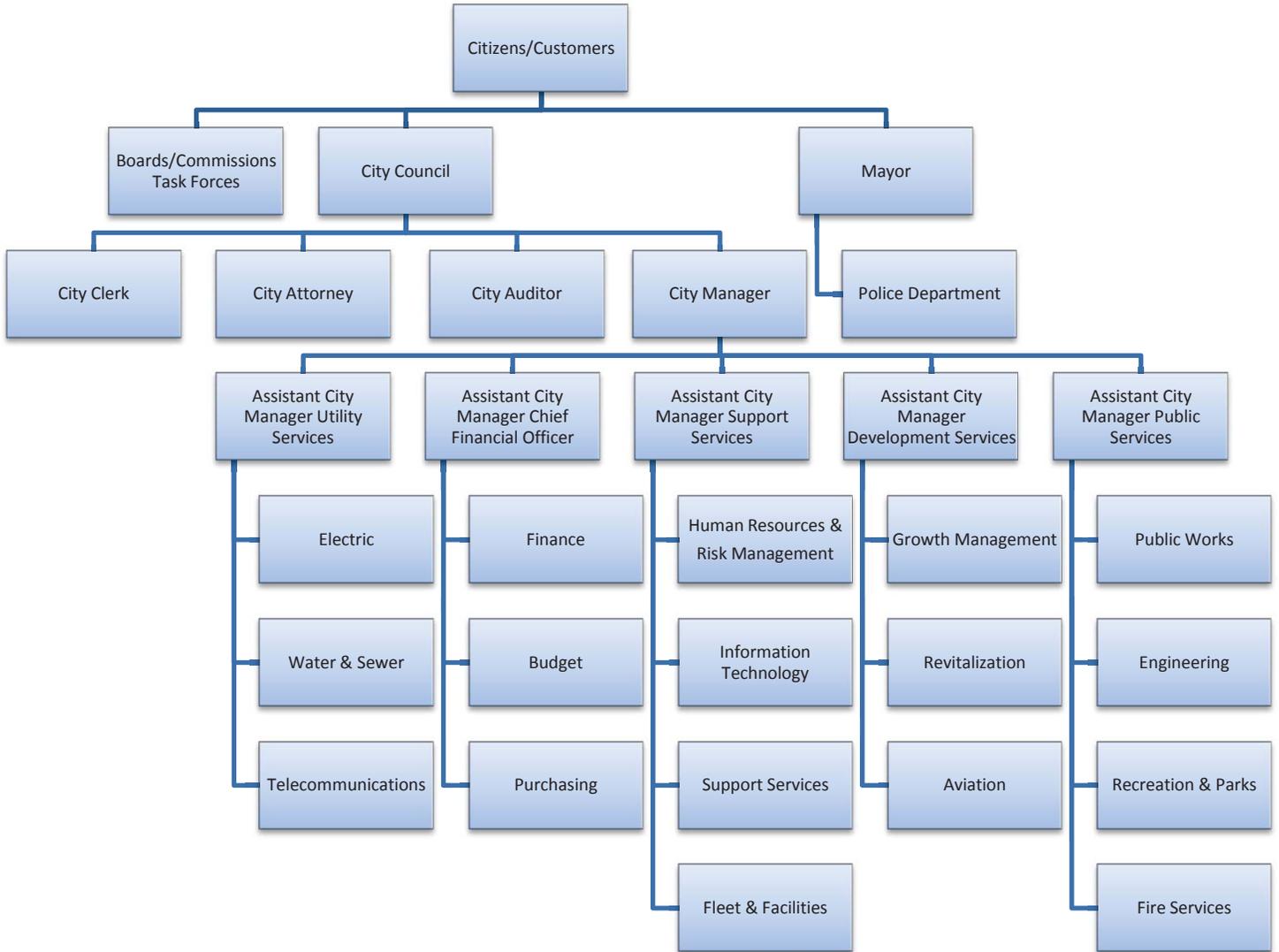
Catherine Cameron
Marc Mondell
Larry Novak
Diane Reichard
Sandra R. Wilson

Finance Staff

Finance Director
Senior Accountant
Senior Treasury Analyst
Accountant II
Accountant II
Accountant I
A/P-A/R Supervisor
Accounts Receivable
Accounts Payable
Payroll Manager
Pension Benefits Coordinator
Deputy CFO/Budget Director
Grants Coordinator
Senior Budget Analyst

Mary Ann Davis
Raymond Bachik
Marie Brooks
Anthony Webber
Johnna Agin
Lisa Mauldin
Linda Wright
Debbie Moscato
Debbie Crews
Maribel Lozada
Alicia Gaither
Cindy Kelley
Tammi Haslam
Rita Conn

CITY OF OCALA, FLORIDA
ORGANIZATIONAL CHART



FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocala, Florida (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309

MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

INDEPENDENT AUDITORS' REPORT (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As discussed in notes to the financial statements, for the year ending September 30, 2013, the City adopted new accounting guidance as follows:

- Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedules, and certain pension and Other Postemployment Benefits trend information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis, and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state projects is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 69I-5, *Rules of the Florida Department of Financial Services*; and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements.

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Other Matters (Concluded)

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the schedule of expenditures of federal awards and state projects are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Purvis, Gray and Company, LLP

March 19, 2014
Ocala, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited

As management of the City of Ocala (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year (FY) ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished on our letter of transmittal, which can be found on pages i-vii of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by \$555,381,313 (*net position*).
- Unrestricted net position totals \$144,856,747 and may be used to meet the government's ongoing obligations to citizens and creditors.
- Government general revenue and transfers-in totaled \$83,281,906 compared to \$82,740,926 in 2012, or a 0.7% increase over the prior year.
- The business-type activities revenue totaled \$196,587,323 as compared to \$186,186,884 or a 5.6% increase over the prior year and expenses and transfers-out totaled \$195,469,855 as compared to \$187,234,493 in 2012, or a 4.4% increase over the prior year. The result produced an increase in business-type net assets of \$1,117,468 as compared to a decrease of \$1,047,609 in the prior year.
- At the close of the fiscal year, the City' governmental activities reported combined ending net position of \$221,884,210 as compared to \$221,038,107 (restated), an increase of \$846,103 in comparison with the prior year. Of the fiscal year ended net position, \$64,263,573 was unrestricted.
- The City's total outstanding long-term debt decreased \$12,462,933 during the current fiscal year. The reduction in long-term debt is due to principal payments made and a decrease in compensated absences, claims and judgements, and other postemployment benefits.
- The City is committed to providing the Citizens of Ocala with the highest quality services while maintaining efficiency and cost effectiveness. Overall, governmental activities expense decreased \$6,018,824 from the prior year due to cost controls.
- The City early implemented *GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and *GASB 65, Items Previously Reported as Assets and Liabilities*. This implementation resulted in the restatement of the prior year end net position balances due to writing off prior debt expenditures at October 1, 2012. The prior year was not restated, therefore some comparisons will be skewed.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds.

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements that explain some of the information in the

CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited

financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This report also contains other supplementary information in addition to the basic financial statements that provide details about the City's internal service fund presented in a separate column in the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements can be found on pages 18-20 of this report.

The *statement of net position* presents financial information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, culture and recreation, economic environment, physical environment and transportation. The business-type activities of the City include operation of an electric utility, solid waste disposal system, water and sewer utilities, golf courses, airport and public transportation.

The Community Redevelopment Agency (CRA) is a blended component unit that for all practical purposes is treated as part of the primary government. The data from this component unit is presented separately in the financial statements.

Fund financial statements. A *fund* is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The basic governmental fund financial statements can be found on pages 21-24 of this report.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited

The City maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the CRA fund, which are considered to be major funds. Data from the ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the combining statements in the other supplemental information section of this report.

The City adopts an annual appropriated budget for its various funds. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City maintains seven enterprise funds to account for the following operations: electric, water and sewer, sanitation, golf course, airport, communications and transit. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its fleet and facilities and self-insurance programs. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of the City's proprietary funds. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the other supplemental information section of this report. The basic proprietary fund financial statements can be found on pages 25-34 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because their resources are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 35-36 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-87 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found on pages 88-94 of this report.

The combining statements and budgetary comparison schedules regarding non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements can be found on pages 95 to 125 of this report.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position. Recall that the Statement of Net Position looks at the City as a whole. The following provides a summary of the City's net assets for 2013 as compared to 2012.

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$555,381,313 at the close of the most recent fiscal year.

The City's net position for the past two fiscal years is summarized, as follows:

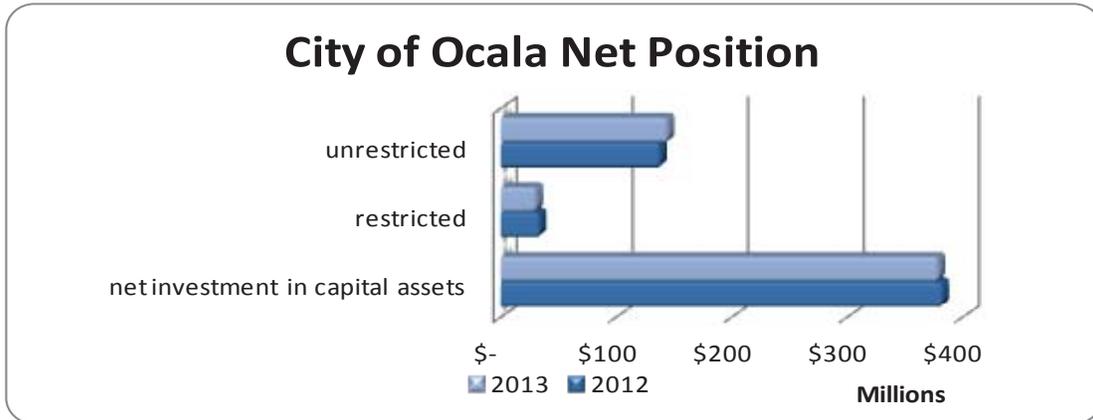
City of Ocala Statement of Net Position As of September 30						
	Governmental Activities		Business -type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 103,718,818	\$ 107,222,834	\$ 189,505,948	\$ 192,444,545	\$ 293,224,766	\$ 299,667,379
Capital assets (net)	178,550,870	183,800,115	361,139,014	371,123,200	539,689,884	554,923,315
Total Assets	282,269,688	291,022,949	550,644,962	563,567,745	832,914,650	854,590,694
Total deferred outflow s of resources	172,816	-	2,853,432	-	3,026,248	-
Long-term liabilities outstanding	52,276,537	59,578,684	167,063,875	168,573,091	219,340,412	228,151,775
Other liabilities	7,937,087	10,169,871	25,439,450	61,493,917	33,376,537	71,663,788
Total Liabilities	60,213,624	69,748,555	192,503,325	230,067,008	252,716,949	299,815,563
Total deferred inflow s of resources	344,670	-	27,497,966	-	27,842,636	-
Net Position:						
Net investment in capital assets	143,230,639	143,798,547	236,089,499	238,797,203	379,320,138	382,595,750
Restricted	14,389,998	15,804,304	16,814,430	18,151,713	31,204,428	33,956,017
Unrestricted	64,263,573	61,671,543	80,593,174	76,551,821	144,856,747	138,223,364
Total Net Position	\$ 221,884,210	\$ 221,274,394	\$ 333,497,103	\$ 333,500,737	\$ 555,381,313	\$ 554,775,131

(FY 2012 is not restated on this schedule)

By far, the largest portion of the City's net position 68.3% reflects its investment in capital assets (e.g. land, building, improvements, utility improvements and extensions, machinery and equipment, infrastructure and construction in progress), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited**

An additional portion of the City's net position equal to 5.6% represents resources that are subject to external restrictions on how they may be used. The remaining 26.1% of net position are unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.



Governmental Activities. During the current fiscal year, net position for governmental activities increased \$846,103 from the prior fiscal year for an ending balance of \$221,884,210. The majority of the increase in the overall net position of governmental activities is the result of a reduction of non-essential expenditures across all functions of the City. The City early implemented *GASB 63 and GASB 65*, which resulted in the restatement of the prior year end net position balance by a reduction of \$236,287.

Business-type Activities. For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to an ending balance of \$333,497,103. The total net position for the business-type activities increased by \$1,117,468 as compared to a decrease of \$1,047,609 in the prior year. The increase is attributed to revenues exceeding expenses by \$12,349,477 before transfers of \$11,232,009 to other funds. Whereas in 2012, revenues exceeded expenses by \$10,126,921, with net transfers of \$11,174,530 to other funds. The City early implemented *GASB 63 and GASB 65*, which resulted in the restatement of the prior year end net position balance by a reduction of \$1,121,102.

CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited

Statement of Activities. The City's net position increased by \$846,103 during the current fiscal year and business-type activity net position increased by \$1,117,468. The city's operations for the past two fiscal years are summarized as follows:

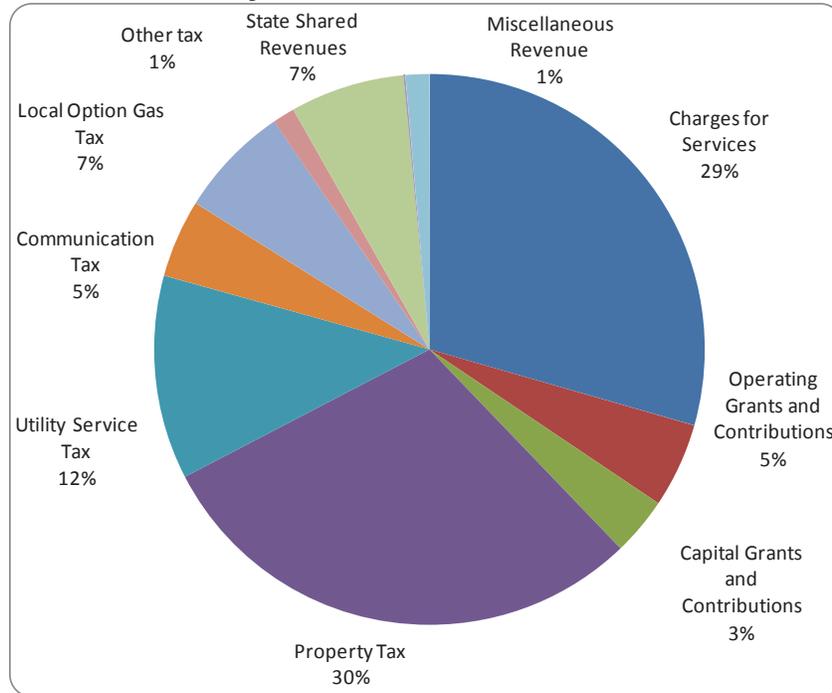
CITY OF OCALA						
Changes in Net Position						
For the Year Ended September 30						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 21,209,663	\$ 20,354,410	\$ 191,409,386	\$ 180,405,422	\$ 212,619,049	\$ 200,759,832
Operating grants and contributions	3,576,996	4,531,360	2,936,061	2,039,616	6,513,057	6,570,976
Capital grants and contributions	2,453,222	290,385	1,479,180	738,514	3,932,402	1,028,899
General revenues:						
Property taxes	21,305,973	21,480,323	-	-	21,305,973	21,480,323
Other taxes	17,571,891	16,989,254	-	-	17,571,891	16,989,254
State shared revenues	4,840,855	4,624,982	-	-	4,840,855	4,624,982
Other	1,091,297	3,295,682	762,696	3,003,332	1,853,993	6,299,014
Total Revenues	72,049,897	71,566,396	196,587,323	186,186,884	268,637,220	257,753,280
Program expenses:						
General government	19,281,318	21,121,585	-	-	19,281,318	21,121,585
Public safety	37,679,867	38,601,843	-	-	37,679,867	38,601,843
Physical environment	3,360,975	3,371,441	-	-	3,360,975	3,371,441
Transportation	13,965,893	16,209,344	-	-	13,965,893	16,209,344
Economic Environment	1,307,330	1,421,490	-	-	1,307,330	1,421,490
Human services	24,280	295,471	-	-	24,280	295,471
Culture and recreation	5,277,119	5,532,341	-	-	5,277,119	5,532,341
Interest on long term debt	1,539,021	1,901,112	-	-	1,539,021	1,901,112
Electric	-	-	138,811,204	131,739,257	138,811,204	131,739,257
Water and sewer	-	-	28,609,880	27,502,689	28,609,880	27,502,689
Sanitation	-	-	7,882,244	8,403,943	7,882,244	8,403,943
Municipal golf courses	-	-	1,677,306	1,838,581	1,677,306	1,838,581
International airport	-	-	2,118,046	2,133,709	2,118,046	2,133,709
Communications	-	-	1,920,583	1,718,074	1,920,583	1,718,074
Suntran	-	-	3,218,583	2,723,710	3,218,583	2,723,710
Total Expenses	82,435,803	88,454,627	184,237,846	176,059,963	266,673,649	264,514,590
Change in net position before transfers	(10,385,906)	(16,888,231)	12,349,477	10,126,921	1,963,571	(6,761,310)
Transfers	11,232,009	11,174,530	(11,232,009)	(11,174,530)	-	-
Increase (Decrease) in net position	\$ 846,103	\$ (5,713,701)	\$ 1,117,468	\$ (1,047,609)	\$ 1,963,571	\$ (6,761,310)

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited**

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for governmental as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's overall net position increased \$1,963,571 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Revenues by Source – Governmental Activities



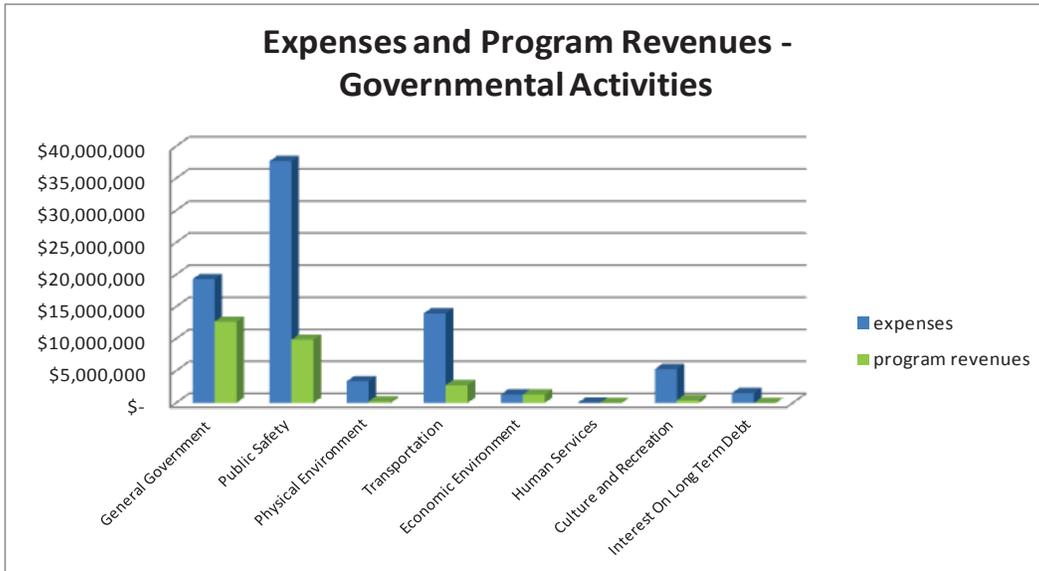
Key Elements of Revenues of Governmental Activities:

- Property taxes, which provided 30% of governmental revenues, decreased by \$174,350. In fiscal year 2013, the City's millage rate was 6.1502 per \$1000 of taxable property. This rate was the rolled-back rate.
- Charges for services provided 29% of governmental revenues. Charge for services increased \$855,253, an increase of 4.2%.
- Utility services taxes provided 12% of governmental revenues. Utility services taxes totalled \$8,599,445 for Fiscal Year 2013. Utility service taxes increased \$547,027, an increase of 6.8%.
- Operating and capital grants and contributions accounts for 8% of governmental revenues.

Key Element of Expenses of Governmental Activities

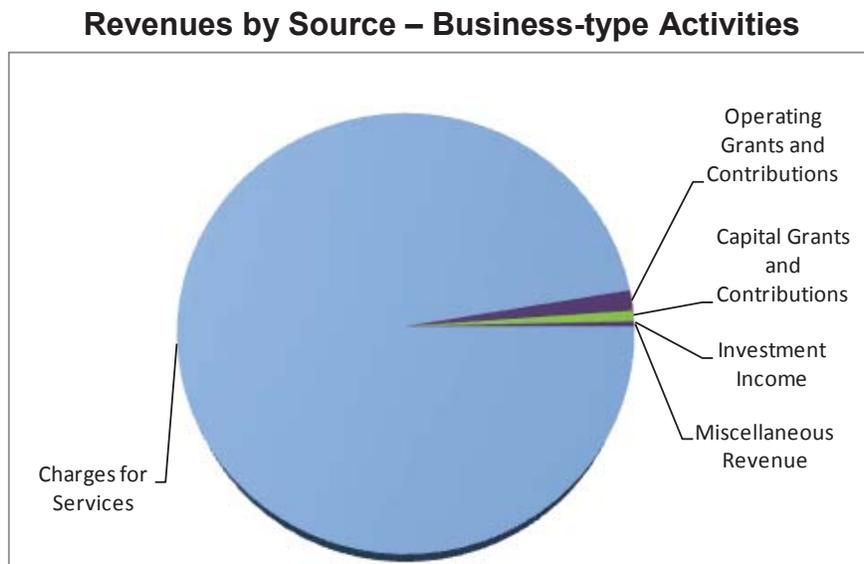
In FY 2013, expenses for Governmental Activities decreased 6.8% to \$82,435,803. General Government decreased \$1,840,267, mostly due to cost saving efforts. Transportation had the largest decrease of \$2,243,451. This was mostly due to a large resurfacing project in the prior fiscal year. The expenses for Public Safety, Physical Environment, Culture and Recreation, Economic Environment and Human Services all decreased at lesser amounts. As seen in the graph, the majority of governmental activities are not supported by program revenues.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited**



Business-type Activities. Please note that all expenses include depreciation expense, which contributes to the net position. Management, in concert with City Council, continuously monitors the progress of policies aimed at achieving a net revenue position for funds.

The Charges for Services category accounts for 97.4% of the revenue generated in the enterprise funds as seen below. Rates should be established to ensure operating expenses are covered.



Program revenue derived from user fees and charges is designed to recoup the cost of providing the service. The change in net position in the enterprise funds increased from a negative \$1,047,609 in FY 2012 to a positive amount of \$1,117,468 in FY 2013 for an increase of change in net position for the year of \$2,165,077.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited**

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. All proprietary funds are reported as major funds.

Summarized operating results for the Proprietary Funds are as follows:

	Electric		Water and Sewer		Sanitation	
	2013	2012	2013	2012	2013	2012
Revenues and other sources	\$ 152,188,976	\$ 141,251,787	\$ 26,888,117	\$ 28,609,673	\$ 10,045,004	\$ 10,186,300
Expenses and other uses	148,063,642	140,827,552	30,471,533	29,204,872	8,810,545	9,332,101
Increase (decrease) in						
Net Position	\$ 4,125,334	\$ 424,235	\$ (3,583,416)	\$ (595,199)	\$ 1,234,459	\$ 854,199

	Municipal Golf Course		Ocala International Airport		Communications	
	2013	2012	2013	2012	2013	2012
Revenues and other sources	\$ 1,504,596	\$ 1,412,141	\$ 1,309,183	\$ 908,084	\$ 2,534,045	\$ 2,519,379
Expenses and other uses	1,850,306	2,011,581	2,118,046	2,133,709	2,410,804	2,226,074
Increase (decrease) in						
Net Position	\$ (345,710)	\$ (599,440)	\$ (808,863)	\$ (1,225,625)	\$ 123,241	\$ 293,305

	SunTran		TOTALS	
	2013	2012	2013	2012
Revenues and other sources	\$ 3,591,006	\$ 2,524,626	\$ 198,060,927	\$ 187,411,990
Expenses and other uses	3,218,583	2,723,710	196,943,459	188,459,599
Increase (decrease) in				
Net Position	\$ 372,423	\$ (199,084)	\$ 1,117,468	\$ (1,047,609)

Business-type activities increased the City's net position by \$1,117,468. Key elements of this increase were:

The City's Electric Utility Fund had a \$4,125,334 increase in net position. This is a result of both operating revenues and operating expenditures increasing in FY 2013. In FY 2012, \$11,190,618 was transferred to the Rate Stabilization fund as compared to FY 2013, where \$4,682,844 was used from this fund.

The City's Water and Sewer Fund had a decrease in net position of \$3,583,416. This is due to several factors: a) operating revenues decreased by \$347,356, b) operating expenses increased by \$696,014, c) larger debt expenses of \$520,707 and d) less investment earnings of \$1,377,686 as compared to prior year.

The City's Sanitation Fund had a net position increase of \$1,234,459 in FY 2013. The majority of this increase is due to expenditure reductions for FY 2013.

In FY 2013, the City outsourced management operations of the Municipal Golf Course to reduce expenses with the goal in mind to make the golf operations self-sufficient in three years. The highest priority of the Municipal Golf Course Fund continues to be self-sufficiency. In FY 2013, program expenses exceeded revenue by \$535,498, as compared to prior year \$724,705. This represents a 26.1% decrease in expenditures.

The Ocala International Airport program expenses exceeded revenues by \$809,473 for FY 2013. Operating expenses exceeded revenue by \$1,238,291 in FY 2012. The City Council continues to evaluate industrial and commercial development on the airport's 1,500 acres.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited**

The City's Communication Fund's increase in net position was \$123,241, which was a 58% decrease from the prior year. This was mainly due to an increase in operating revenues of \$92,684 along with an increase of \$202,509 in operating expenditures as compared to prior year.

The City's public mass transit system, SunTran's net position at end of FY 2013 was a positive \$372,423. This increase is due to additional grant funding received during the year.

The unrestricted portion of net position for each fund is as follows:

<u>Fund</u>	<u>Unrestricted Net Position</u>
Electric	\$ 26,829,401
Water and Sewer	40,880,625
Sanitation	8,233,241
Municipal Golf Course	40,898
Ocala International Airport	500,163
Communications	4,301,060
SunTran	(192,214)
Total	<u>\$ 80,593,174</u>

Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

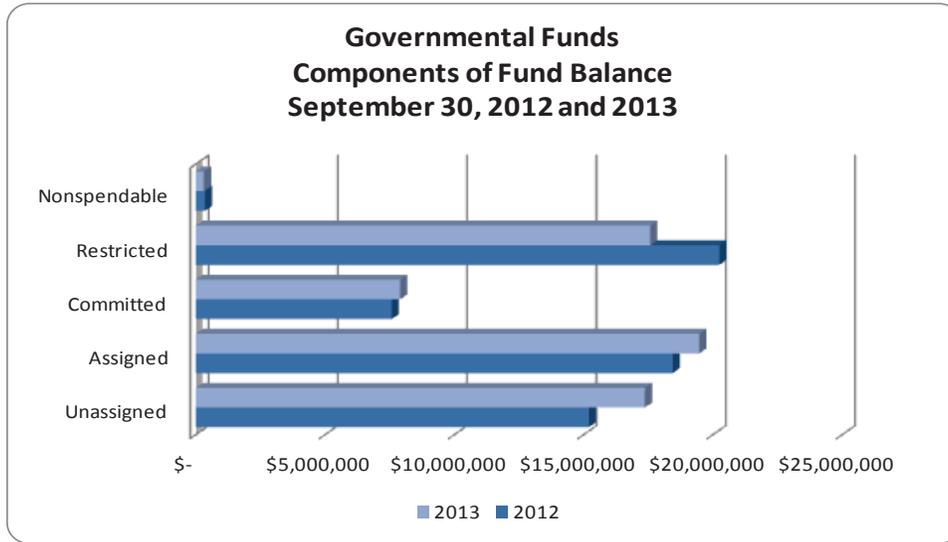
FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

At September 30, 2013, the City's governmental funds reported combined fund balances of \$62,620,620, an increase of \$810,719 in comparison with the prior year. Approximately 27.7% of this amount (\$17,366,628) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is not in spendable form (\$312,239), 2) restricted for particular purposes (\$17,571,198), 3) committed for particular purposes (\$7,900,218), or 4) assigned for particular purposes (\$19,470,337).

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited**



The general fund is the chief operating fund of the City. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents approximately 25.5% of total general fund expenditures, while total fund balance represents approximately 60.9% of that same amount. The fund balance of the City's general fund increased by \$2,550,956 during the current fiscal year.

The operating information for other major governmental funds is as follows:

	Community Redevelopment Agency	
	2013	2012
Revenues and other sources	\$ 501,918	\$ 627,727
Expenses and other uses	332,851	84,936
Increase (decrease) in Net Position	<u>\$ 169,067</u>	<u>\$ 542,791</u>

The increase in expenditures in fiscal year 2013 is due to the City assigning specific staff salaries and expenses to this fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original General Fund budget totaled \$77,655,257. Various budget amendments were approved by City Council. During the year, appropriations increased \$15,065,406 from the original to the final budget in the General Fund. Actual expenditures were \$24,677,419 lower than the final budget.

The original CRA Fund budget totaled \$249,255. Various budget amendments were approved by City Council. During the year, appropriations increased \$238,621 from the original to the final budget in the CRA Fund. Actual expenditures were \$155,025 lower than the final budget.

Additional budget to actual information on the City's general fund and the CRA fund can be found on pages 87-88.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013 totaled \$539,689,884 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than buildings, intangibles, equipment, infrastructure, and construction in progress. The City's investment in capital assets decreased \$15,233,431. This represents a 2.7% decrease from FY 2012.

**CITY OF OCALA, FLORIDA
CAPITAL ASSETS
(NET OF DEPRECIATION)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 22,379,419	\$ 19,719,267	\$ 22,743,452	\$ 22,743,452	\$ 45,122,871	\$ 42,462,719
Intangible (Easement, ROW)	1,847,339	2,012,590	1,110,903	1,050,709	2,958,242	3,063,299
Buildings	29,442,803	27,732,804	12,926,177	13,793,029	42,368,980	41,525,833
Impv Other Than Bldgs	-	-	311,275,320	322,239,002	311,275,320	322,239,002
Crystal River Unit # 3	-	-	-	2,080,466	-	2,080,466
Equipment	15,544,997	17,317,779	3,808,093	3,830,492	19,353,090	21,148,271
Intangible (Software)	2,075,026	2,129,982	2,106,634	2,019,002	4,181,660	4,148,984
Infrastructure	105,771,440	109,865,997	-	-	105,771,440	109,865,997
Construction in Progress	1,489,846	5,021,696	7,168,435	3,367,048	8,658,281	8,388,744
Total	\$ 178,550,870	\$ 183,800,115	\$ 361,139,014	\$ 371,123,200	\$ 539,689,884	\$ 554,923,315

Major capital asset events during the current fiscal year include the following:

Governmental Activities:

- The US27/I-75 Interchange to NW 35th Avenue Project, modifying NB/SB ramps and turn lanes was completed at a cost of \$1,150,227.
- The Magna Segment C, NW 35th Avenue between US27 and NW 21st Street Project, including roadway and DRA was completed at a cost of \$2,032,310.
- The Fort King Reconstruction from Hwy 441 to SE Osceola Ave Project was completed at a cost of \$1,258,762.
- SW Broadway share path/crosswalks/decorative lighting Project was completed at a cost of \$614,061.
- The largest decrease in assets is due to depreciation of \$12,284,503.

Business-type Activities:

- In accordance with the City's Comprehensive Plan, a number of improvements and extensions were made to the City's utility infrastructure. Operating revenues and available utility bond revenues funded these improvements.
- The Magna Segment C, NW 35th Avenue between US27 and NW 21st Street Project, including electric, water and sewer was completed at a cost of \$1,197,010.
- Water Reclamation Facility #1 Odor Control Improvements was completed at a cost of \$2,189,303.

**CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited**

- Water Reclamation Facility #3 Reuse Pump Station Filter and PLC (Odor Control) was completed at a cost of \$1,081,668.
- The Ocala Regional Airport Runway project was completed at a cost of \$504,289.
- The City wrote off the Crystal River Unit #3 asset during the year.
- The largest decrease in assets is due to depreciation of \$ 20,591,683.

Additional information on the City's capital assets can be found in the Notes to Financial Statements on pages 62-63.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$187,396,665. That was a decrease of \$11,084,317 or 5.6% from outstanding long-term debt of \$198,480,982 at the end of FY 2012. Electric and Water & Sewer debt is paid with operating revenues. The capital improvements debt is serviced by the pledge of *non-ad valorem* revenues such as gas taxes, sales tax revenues and State revenue sharing. Long-term debt includes self-insurance claims payable and liability for compensated absences, which is not shown here but is in the notes to the financial statements.

City of Ocala's Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Capital Improvement bonds	\$ 35,705,000	\$ 40,950,000	\$ -	\$ -	\$ 35,705,000	\$ 40,950,000
Utility system bonds	-	-	149,285,000	154,380,000	149,285,000	154,380,000
Capital leases	2,406,665	3,150,982	-	-	2,406,665	3,150,982
Total	\$ 38,111,665	\$ 44,100,982	\$ 149,285,000	\$ 154,380,000	\$ 187,396,665	\$ 198,480,982

During FY 2013, the City issued no new bonds.

The reason for the decrease in long-term bonded debt was the principal bond payments made during the fiscal year. Also during the year, the City refunded the 2003 Capital Improvement Bonds with a net present value savings of approximately \$948,573. The City had no outstanding general obligation debt at the close of FY 2013. The City maintains excellent bond ratings from the major ratings agencies.

Additional information on the City's long-term debt can be found in the Notes to Financial Statements on pages 73-80 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following were some of the significant factors considered in preparing the City's FY 2014 budget:

- The FY 2014 budget was prepared as the City continues to carefully plan using conservative fiscal oversight. This disciplined approach resulted in high quality municipal services, investment in public facilities, and maintaining appropriate reserves to provide resiliency during uncertainty which are proving to be the norm in the current economic environment.
- The City's leadership, the City Council and Mayor, recognizes its critical role in establishing the appropriate tenor and investment required for economic transformation of the local economy. The City has aggressively, but strategically, began sowing the seeds for tomorrow's recovery.

CITY OF OCALA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013
Unaudited

- To date, the signature investments include FedEx, R&L Carriers, and Krausz. FedEx, a fortune 100 company, choose Ocala as a regional hub, encompassing a capital investment over \$100 million. R&L Carriers will invest \$4.4 million for technology, telecommunication, and logistics management operations in Ocala. Krausz and Admiral Furniture will invest a combined total of \$250,000 and provide additional jobs to the community. The FY 2014 budget continues strategic funding for these projects while preserving flexibility for pursuing additional economic opportunities.
- Through strong financial policies, as adopted by the City Council, the City was able to present stakeholders with a balanced budget that addresses priority needs, and maintains or enhances service level.
- The balanced budget did not require an increase in property taxes or fees. There were some slight fee increases to cover the cost of service delivery. The General Fund Budget for FY 2014 totals \$85,686,362.
- The Citywide Comprehensive FY 2014 Budget totals \$654,106,872.
- The FY 2014 Budget was based on four strategies: operational efficiencies, tempering escalating personnel cost via pension reform, a refocus on the core mission of the City, and financial transformation. These strategies remained a vital cornerstone in the development of the FY 2014 budget.
- Each department reviewed its operations and recommended strategies to reduce expenditures without significantly impacting services. These efficiencies to date include: reorganization of some department and/or divisions, consolidation of service functions, re-assignment of staff to critical tasks, personnel reductions, and better utilization of technology. Each department will continue to focus on all areas of their operation to reduce costs while maintaining operational efficiency.
- The taxable value of commercial and residential property increased 0.2% for FY 2014, rising from \$3.554 billion to \$3.559 billion. This increase was due to the beginnings of stabilization in the housing market.
- Building permit activity is on the rise with a significant increase of nearly 25% during FY 2013 and greater projections for FY 2014.

During the current fiscal year, the unassigned fund balance in the general fund was \$17,366,628. The City has appropriated \$7,876,051 of this amount for spending in the 2013-2014 fiscal year budgets. This action was taken as an additional measure to mitigate the impact of the recession on the 2013-2014 fiscal year budgets.

REQUESTS FOR INFORMATION

This financial report is designed to present users with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addresses to the Finance Director, Office of Budget and Finance, Ocala City Hall, 110 SE Watula Avenue, Ocala, Florida 34471, or telephone (352) 629-8375.

BASIC FINANCIAL STATEMENTS

**CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Assets	Governmental Activities	Business Type Activities	Total
Cash and investments	\$ 2,235	\$ 10,323,376	\$ 10,325,611
Equity In pooled cash fund	91,004,839	149,104,873	240,109,712
Receivables-net of allowance for uncollectibles	1,291,102	23,667,144	24,958,246
Notes receivables	91,523	-	91,523
Accrued interest receivable	149,985	329,866	479,851
Internal balances	1,509,535	(1,509,535)	-
Due from other governments	3,128,518	1,066,680	4,195,198
Pension asset	6,137,496	-	6,137,496
Prepays	280,102	692,681	972,783
Inventories	121,103	5,830,863	5,951,966
Other assets	2,380	-	2,380
Capital assets not being depreciated:			
Land	24,226,758	22,743,452	46,970,210
Construction in progress	1,489,845	7,168,434	8,658,279
Capital assets, net of accumulated depreciation:			
Buildings	13,946,444	12,926,178	26,872,622
Improvements other than buildings	15,496,360	311,275,319	326,771,679
Machinery and equipment	15,544,997	3,808,094	19,353,091
Intangibles	2,075,026	3,217,537	5,292,563
Infrastructure	105,771,440	-	105,771,440
Total assets	282,269,688	550,644,962	832,914,650
Deferred outflows of resources			
Deferred outflows from debt refunding	172,816	2,853,432	3,026,248
Total deferred outflows of resources	172,816	2,853,432	3,026,248
Liabilities			
Accounts payable and accrued liabilities	5,069,829	14,082,988	19,152,817
Contract retainage	121,316	460,548	581,864
Accrued interest payable	498,174	3,411,738	3,909,912
Unearned revenue	415,677	602,019	1,017,696
Escrow and deposits	1,407,679	-	1,407,679
Pension liability	424,412	-	424,412
Other liabilities	-	6,882,157	6,882,157
Noncurrent liabilities:			
Due within one year	6,090,746	7,011,517	13,102,263
Due in more than one year	46,185,791	160,052,358	206,238,149
Total liabilities	60,213,624	192,503,325	252,716,949
Deferred inflows of resources			
Deferred inflows from debt refunding	344,670	-	344,670
Regulatory liability-rate stabilization	-	27,497,966	27,497,966
Total deferred inflows of resources	344,670	27,497,966	27,842,636
Net Position			
Net invested in capital assets	143,230,639	236,089,499	379,320,138
Restricted for:			
Transportation	7,160,567	-	7,160,567
Capital projects	-	11,569,430	11,569,430
Debt service	765,000	5,245,000	6,010,000
Development district improvements	4,108,438	-	4,108,438
Public safety	2,099,021	-	2,099,021
Grants	256,972	-	256,972
Unrestricted	64,263,573	80,593,174	144,856,747
Total net position	\$ 221,884,210	\$ 333,497,103	\$ 555,381,313

The notes to the financial statements are an integral part of the financial statements.



This page intentionally left blank.

**CITY OF OCALA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 19,281,318	\$ 12,120,493	\$ 32,122	\$ 502,664
Public safety	37,679,867	8,633,327	1,214,391	-
Physical environment	3,360,975	-	-	231,545
Transportation	13,965,893	-	1,053,900	1,716,276
Economic environment	1,307,330	63,899	1,239,410	-
Human services	24,280	-	-	-
Culture and recreation	5,277,119	391,944	37,173	2,737
Interest on long term debt	1,539,021	-	-	-
Total governmental activities	82,435,803	21,209,663	3,576,996	2,453,222
Business-type activities:				
Electric	138,811,204	150,344,736	829	449,230
Water and sewer	28,609,880	26,228,504	-	486,623
Sanitation	7,882,244	10,035,141	-	1,844
Municipal golf courses	1,677,306	1,141,808	-	-
International airport	2,118,046	767,090	-	541,483
Communications	1,920,583	2,530,414	-	-
Suntran	3,218,583	361,693	2,935,232	-
Total business-type activities	\$ 184,237,846	\$ 191,409,386	\$ 2,936,061	\$ 1,479,180

General Revenues:

Property tax
Utility service tax
Communciation tax
Local option gas tax
Other tax
State shared revenues
Investment income
Miscellaneous

Transfers

Transfers

Total general revenues and transfers

Change In net position

Net position - October 1 (Restated)

Net position - September 30

The notes to the financial statements are an integral part of the financial statements.

Net (Expense) Revenue and Change In Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (6,626,039)	\$ -	\$ (6,626,039)
(27,832,149)	-	(27,832,149)
(3,129,430)	-	(3,129,430)
(11,195,717)	-	(11,195,717)
(4,021)	-	(4,021)
(24,280)	-	(24,280)
(4,845,265)	-	(4,845,265)
(1,539,021)	-	(1,539,021)
<u>(55,195,922)</u>	<u>-</u>	<u>(55,195,922)</u>
-	11,983,591	11,983,591
-	(1,894,753)	(1,894,753)
-	2,154,741	2,154,741
-	(535,498)	(535,498)
-	(809,473)	(809,473)
-	609,831	609,831
-	78,342	78,342
<u>-</u>	<u>11,586,781</u>	<u>11,586,781</u>
21,305,973	-	21,305,973
8,599,445	-	8,599,445
3,284,777	-	3,284,777
4,742,861	-	4,742,861
944,808	-	944,808
4,840,855	-	4,840,855
82,061	144,563	226,624
1,009,236	618,133	1,627,369
<u>11,232,009</u>	<u>(11,232,009)</u>	<u>-</u>
<u>56,042,025</u>	<u>(10,469,313)</u>	<u>45,572,712</u>
846,103	1,117,468	1,963,571
<u>221,038,107</u>	<u>332,379,635</u>	<u>553,417,742</u>
<u>\$ 221,884,210</u>	<u>\$ 333,497,103</u>	<u>\$ 555,381,313</u>

**CITY OF OCALA, FLORIDA
BALANCE SHEET
ALL GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Community Redevelopment Agency (CRA) Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 2,235	\$ -	\$ -	\$ 2,235
Equity in pooled cash fund	41,344,217	3,920,237	17,389,835	62,654,289
Receivables-net of allowance for uncollectibles	857,811	-	358,310	1,216,121
Notes receivable	91,523	-	-	91,523
Accrued interest receivable	104,121	9,620	36,244	149,985
Due from other funds	1,299,646	-	209,889	1,509,535
Due from other governments	2,080,616	-	1,047,902	3,128,518
Prepays	191,136	-	-	191,136
Inventories	121,103	-	-	121,103
Other assets	2,380	-	-	2,380
Total assets	<u>46,094,788</u>	<u>3,929,857</u>	<u>19,042,180</u>	<u>69,066,825</u>
Liabilities:				
Accounts payable and accrued liabilities	3,617,837	75,377	719,691	4,412,905
Unearned revenue	415,677	-	-	415,677
Retainage on contracts	98,558	-	22,758	121,316
Escrow and deposits	396,719	-	1,008,065	1,404,784
Total liabilities	<u>4,528,791</u>	<u>75,377</u>	<u>1,750,514</u>	<u>6,354,682</u>
Deferred Inflows of Resources				
Deferred inflows from notes receivable	91,523	-	-	91,523
Total deferred inflows of resources	<u>91,523</u>	<u>-</u>	<u>-</u>	<u>91,523</u>
Fund Balances:				
Nonspendable	312,239	-	-	312,239
Restricted	2,250,114	3,854,480	11,466,604	17,571,198
Committed	2,075,156	-	5,825,062	7,900,218
Assigned	19,470,337	-	-	19,470,337
Unassigned	17,366,628	-	-	17,366,628
Total fund balances	<u>41,474,474</u>	<u>3,854,480</u>	<u>17,291,666</u>	<u>62,620,620</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,094,788</u>	<u>\$ 3,929,857</u>	<u>\$ 19,042,180</u>	<u>\$ 69,066,825</u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF OCALA, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2013**

Total fund balances of governmental funds \$ 62,620,620

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$393,543,662 and the accumulated depreciation is \$227,189,084. 166,354,578

The pension asset is an asset for the government-wide statement of net position. A pension asset is not considered to represent a financial asset and, therefore, is not reported in the governmental funds. 6,137,496

The pension liability is a liability for the government-wide statement of net position. A pension liability is not considered to represent a financial liability and, therefore, is not reported in the governmental funds. (424,412)

The internal service funds are used by management to charge the costs of fleet & facilities management and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 30,212,928

Reclass deferred inflows to revenues 91,523

Long term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long term are reported in the Statement of Net Position. Long term liabilities at year end consist of:

Bonds payable	(35,705,000)
Unamortized (gain)loss on refunding (to be amortized as interest expense).	(171,854)
Unamortized bond (premium) discount (to be amortized over life of debt)	277,882
Prepaid for bond insurance costs	88,966
Accrued interest payable	(498,174)
Compensated absences	(5,159,924)
OPEB liability payable	(1,940,419)
	<u>(1,940,419)</u>

Net position of governmental activities \$ 221,884,210

The notes to the financial statements are an integral part of the financial statements

CITY OF OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Revenues	General Fund	CRA Fund	Other Governmental Funds	Total Governmental Funds
Property tax	\$ 21,052,454	\$ 191,850	\$ 61,669	\$ 21,305,973
Utility service tax	8,599,445	-	-	8,599,445
Communication service tax	3,284,777	-	-	3,284,777
Local option gas tax	-	-	4,742,861	4,742,861
Other tax	944,808	-	-	944,808
State shared revenues	4,840,855	-	-	4,840,855
Other intergovernmental revenues	3,572,109	-	1,149,453	4,721,562
Permits and fees	1,961,915	-	-	1,961,915
Fines and forfeitures	525,780	-	-	525,780
Charges for services	14,056,398	-	4,665,570	18,721,968
Investment income	40,279	2,798	(27,983)	15,094
Gifts	70,747	-	-	70,747
Miscellaneous	748,398	-	169,315	917,713
Total revenues	59,697,965	194,648	10,760,885	70,653,498
Expenditures				
Current:				
General government	17,085,937	240,749	183,576	17,510,262
Public safety	36,209,453	-	-	36,209,453
Physical environment	-	-	2,959,543	2,959,543
Transportation	2,951,703	-	2,949,474	5,901,177
Economic environment	1,131,086	-	41,372	1,172,458
Human services	18,507	-	-	18,507
Culture and recreation	4,757,014	-	34,815	4,791,829
Capital outlay	2,647,556	92,102	2,758,862	5,498,520
Debt service:				
Principal payments	-	-	5,280,000	5,280,000
Interest and fees	-	-	1,768,039	1,768,039
Total expenditures	64,801,256	332,851	15,975,681	81,109,788
Excess (deficiency) of revenues over expenditures	(5,103,291)	(138,203)	(5,214,796)	(10,456,290)
Other financing sources (uses)				
Transfers in	10,896,235	307,270	4,599,420	15,802,925
Transfers out	(3,241,988)	-	(1,328,928)	(4,570,916)
Issuance of refunding debt	-	-	7,700,000	7,700,000
Payment to refunded bond escrow agent	-	-	(7,665,000)	(7,665,000)
Total other financing sources (uses)	7,654,247	307,270	3,305,492	11,267,009
Net change in fund balances	2,550,956	169,067	(1,909,304)	810,719
Fund balances - October 1	38,923,518	3,685,413	19,200,970	61,809,901
Fund balances - September 30	\$ 41,474,474	\$ 3,854,480	\$ 17,291,666	\$ 62,620,620

The notes to the financial statements are an integral part of the financial statements.

**CITY OF OCALA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 810,719

Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This reconciling item is the amount by which depreciation expense of \$10,289,182 exceeded capital purchases of \$6,231,335. (4,057,847)

The issuance of bonds and similar long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premium, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts of the items that make up these differences in treatment of long term debt and related items are:

Debt issued or incurred	
Issuance of bonds	(7,700,000)
Principal repayments	
Bonds and Certificates	5,280,000
Payment to escrow agent for refunding	7,665,000
Amortization of bond discount, premium, and deferred amounts on refundings	38,671
Expense annual cost for prepaid bond insurance	(9,834)

Some expenses reported in the statement of activities such as compensated absences, accrued interest and OPEB liability payable, do not require the use of current financial resources and are not reported as expenditures in governmental funds:

Compensated absences	104,120
Accrued interest on long term debt	247,811
OPEB liability payable	(246,215)
Arbitrage rebate liability	40,703

A net pension asset and liability do not represent a use of current financial resources and, therefore, is not an asset or a liability for the governmental funds. Increases to the net pension asset or liability are therefore expenditures for the governmental funds. In the statement of net position, however, these payments decrease the net pension asset. (539,204)

Reclass deferred inflows to revenue 91,523

The internal service funds are used by management to charge the costs of fleet and facilities management and risk management to individual funds. The net income (expense) of the internal services funds is reported with governmental activities. (879,344)

Change in net position of governmental activities \$ 846,103

The notes to the financial statements are an integral part of the financial statements.

**CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Assets				
Current Assets:				
Cash and investments	\$ 2,500	\$ 250	\$ -	\$ 73,746
Equity in pooled cash and investment fund	28,438,780	42,685,559	8,006,658	62,433
Restricted assets available for current liabilities	2,552,659	7,418,923	-	-
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts and notes	11,071,487	2,130,360	789,294	18,205
Accrued interest	133,183	105,726	18,331	-
Unbilled revenues	9,453,519	-	-	-
Due from other funds	-	1,147,802	424,117	-
Prepays	406,046	266,872	-	14,325
Inventories	4,810,174	898,938	-	34,609
Due from other governments	-	-	-	-
Total current assets	56,868,348	54,654,430	9,238,400	203,318
Noncurrent Assets:				
Restricted Assets:				
Cash and investments:				
Crystal river decommissioning trust	10,246,880	-	-	-
Equity in pooled cash and investment fund:				
Construction accounts	11,128,798	6,344,022	-	-
Debt service accounts	2,005,598	6,651,140	-	-
Impact fee accounts	-	7,366,287	-	-
Rate stabilization	27,497,966	-	-	-
Renewal and replacement	2,790,227	1,391,131	-	-
Accrued interest receivable:				
Construction accounts	29,930	9,793	-	-
Impact fee accounts	-	20,253	-	-
Renewal and replacement	987	545	-	-
Less: Portion classified as current	(2,552,659)	(7,418,923)	-	-
Total restricted assets	<u>51,147,727</u>	<u>14,364,248</u>	<u>-</u>	<u>-</u>
Capital assets, net:				
Land	5,487,398	10,971,451	22,359	394,678
Buildings	3,825,126	1,983,686	593,793	705,867
Improvements other than buildings	112,879,512	178,334,284	3,242	2,554,566
Machinery and equipment	608,902	304,637	333,471	17,032
Intangible assets	2,712,961	479,814	-	-
Construction in process	2,555,333	4,405,685	-	-
Total capital assets (net)	<u>128,069,232</u>	<u>196,479,557</u>	<u>952,865</u>	<u>3,672,143</u>
Total noncurrent assets	179,216,959	210,843,805	952,865	3,672,143
Total assets	\$ 236,085,307	\$ 265,498,235	\$ 10,191,265	\$ 3,875,461
Deferred outflows of resources:				
Deferred amount on debt refunding	-	2,853,432	-	-
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 2,853,432</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of the financial statements.

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala				ACTIVITIES
International	Communi-	SunTran	Total	Internal
Airport	cations			Service Funds
\$ -	\$ -	\$ -	\$ 76,496	\$ -
532,833	4,186,392	-	83,912,655	28,350,550
17,049	-	-	9,988,631	-
62,693	133,048	8,538	14,213,625	6,888
1,373	9,745	-	268,358	68,093
-	-	-	9,453,519	-
-	44,253	-	1,616,172	-
-	5,438	-	692,681	-
-	87,142	-	5,830,863	-
110,654	-	956,026	1,066,680	-
<u>724,602</u>	<u>4,466,018</u>	<u>964,564</u>	<u>127,119,680</u>	<u>28,425,531</u>
-	-	-	10,246,880	-
17,049	-	-	17,489,869	-
-	-	-	8,656,738	-
-	-	-	7,366,287	-
-	-	-	27,497,966	-
-	-	-	4,181,358	-
-	-	-	39,723	-
-	-	-	20,253	-
-	-	-	1,532	-
(17,049)	-	-	(9,988,631)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>65,511,975</u>	<u>-</u>
5,867,566	-	-	22,743,452	-
4,657,031	-	1,160,675	12,926,178	124,753
12,854,534	4,649,181	-	311,275,319	255,473
119,926	436,770	1,987,356	3,808,094	11,391,850
-	24,762	-	3,217,537	361,691
-	7,816	199,600	7,168,434	62,525
<u>23,499,057</u>	<u>5,118,529</u>	<u>3,347,631</u>	<u>361,139,014</u>	<u>12,196,292</u>
<u>23,499,057</u>	<u>5,118,529</u>	<u>3,347,631</u>	<u>426,650,989</u>	<u>12,196,292</u>
\$ 24,223,659	\$ 9,584,547	\$ 4,312,195	\$ 553,770,669	\$ 40,621,823
-	-	-	2,853,432	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,853,432</u>	<u>\$ -</u>

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Liabilities				
Current Liabilities:				
Payable from unrestricted assets:				
Accounts payable and accrued liabilities	\$ 11,244,202	\$ 308,200	\$ 384,952	\$ 109,920
Contract retainage	-	298,367	-	-
Claims payable	-	-	-	-
Compensated absences payable	1,127,482	339,116	166,348	-
Due to other funds	2,704,972	-	-	-
Customer deposits	6,842,250	-	-	9,354
Capital lease payable	-	-	-	-
Unearned revenue	438,193	129,893	1,720	26,986
Total current liabilities payable from unrestricted assets	<u>22,357,099</u>	<u>1,075,576</u>	<u>553,020</u>	<u>146,260</u>
Payable from restricted assets:				
Accounts payable and accrued liabilities	487,690	686,284	-	-
Contract retainage	59,371	81,499	-	-
Accrued interest payable	1,335,598	2,076,140	-	-
Revenue bonds payable within one year	670,000	4,575,000	-	-
Total current liabilities payable from restricted assets	<u>2,552,659</u>	<u>7,418,923</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>24,909,758</u>	<u>8,494,499</u>	<u>553,020</u>	<u>146,260</u>
Noncurrent Liabilities:				
Nuclear decommissioning costs	10,246,880	-	-	-
Compensated absences payable	375,349	315,739	241,900	-
Capital lease payable	-	-	-	-
OPEB obligation payable	474,211	223,430	210,239	16,160
Unamortized (Discount) Premium	1,866,284	1,986,177	-	-
Revenue bonds and notes payable after one year	54,010,000	90,030,000	-	-
Total noncurrent liabilities	<u>66,972,724</u>	<u>92,555,346</u>	<u>452,139</u>	<u>16,160</u>
Deferred Inflows of Resources:				
Regulatory liability-rate stabilization	27,497,966	-	-	-
Total deferred inflows of resources	<u>27,497,966</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	86,414,244	113,067,981	952,865	3,672,143
Restricted for debt service	670,000	4,575,000	-	-
Restricted for capital projects	2,791,214	8,778,216	-	-
Unrestricted (accumulated deficit)	26,829,401	40,880,625	8,233,241	40,898
Total net position	<u>\$ 116,704,859</u>	<u>\$ 167,301,822</u>	<u>\$ 9,186,106</u>	<u>\$ 3,713,041</u>

The notes to the financial statements are an integral part of the financial statements.

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala				ACTIVITIES
International	Communi-	SunTran	Total	Internal
Airport	cations			Service Funds
\$ 76,233	\$ 49,464	\$ 736,043	\$ 12,909,014	\$ 656,924
4,262	-	-	302,629	-
-	-	-	-	7,342,411
48,532	85,039	-	1,766,517	-
-	-	420,735	3,125,707	-
30,553	-	-	6,882,157	-
-	-	-	-	1,110,469
5,227	-	-	602,019	2,895
<u>164,807</u>	<u>134,503</u>	<u>1,156,778</u>	<u>25,588,043</u>	<u>9,112,699</u>
-	-	-	1,173,974	-
17,049	-	-	157,919	-
-	-	-	3,411,738	-
-	-	-	5,245,000	-
<u>17,049</u>	<u>-</u>	<u>-</u>	<u>9,988,631</u>	<u>-</u>
<u>181,856</u>	<u>134,503</u>	<u>1,156,778</u>	<u>35,576,674</u>	<u>9,112,699</u>
-	-	-	10,246,880	-
9,999	11,922	-	954,909	-
-	-	-	-	1,296,196
15,535	18,533	-	958,108	-
-	-	-	3,852,461	-
-	-	-	144,040,000	-
<u>25,534</u>	<u>30,455</u>	<u>-</u>	<u>160,052,358</u>	<u>1,296,196</u>
-	-	-	27,497,966	-
-	-	-	27,497,966	-
23,516,106	5,118,529	3,347,631	236,089,499	9,789,627
-	-	-	5,245,000	-
-	-	-	11,569,430	-
500,163	4,301,060	(192,214)	80,593,174	20,423,301
<u>\$ 24,016,269</u>	<u>\$ 9,419,589</u>	<u>\$ 3,155,417</u>	<u>\$ 333,497,103</u>	<u>\$ 30,212,928</u>

CITY OF OCALA, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Operating Revenues:				
Charges for services	\$ 142,626,862	\$ 26,105,485	\$ 10,033,225	\$ 1,141,756
Rate stabilization usage (funding)	4,682,844	-	-	-
Other	3,035,030	123,019	1,916	52
Total operating revenues	150,344,736	26,228,504	10,035,141	1,141,808
Operating Expenses:				
Purchase of electricity	103,761,237	-	-	-
Distribution	9,488,600	2,201,838	-	-
Operation and maintenance	3,583,338	497,693	4,749,455	64,365
Water and sewer treatment	-	6,082,589	-	-
Sewer collection	-	2,760,761	-	-
Internal service	-	-	-	-
Administration	8,676,936	2,898,529	3,033,493	1,124,008
Depreciation	8,148,137	9,756,943	99,296	488,933
Other	2,651,134	-	-	-
Total operating expenses	136,309,382	24,198,353	7,882,244	1,677,306
Operating income (loss)	14,035,354	2,030,151	2,152,897	(535,498)
Non-Operating Revenues (Expenses):				
Investment income	68,772	63,460	8,019	71
Interest expense	(2,605,877)	(4,521,057)	-	-
Issue cost and amortization of bond discounts/premiums	104,055	109,530	-	-
Gain on impairment of asset	618,133	-	-	-
Other non-operating revenue	829	-	-	-
Total non-operating revenues (expenses)	(1,814,088)	(4,348,067)	8,019	71
Income (loss) before capital contributions and transfers	12,221,266	(2,317,916)	2,160,916	(535,427)
Capital Contributions	449,230	486,623	1,844	-
Transfers:				
Transfers in	603,221	-	-	362,717
Transfers out	(9,148,383)	(1,752,123)	(928,301)	(173,000)
Total transfers	(8,545,162)	(1,752,123)	(928,301)	189,717
Change in net position	4,125,334	(3,583,416)	1,234,459	(345,710)
Net position - October 1 (Restated)	112,579,525	170,885,238	7,951,647	4,058,751
Net position - September 30	\$ 116,704,859	\$ 167,301,822	\$ 9,186,106	\$ 3,713,041

The notes to the financial statements are an integral part of the financial statements.

ENTERPRISE FUNDS				GOVERNMENTAL
Ocala International Airport	Communi- cations	SunTran	Total	<u>ACTIVITIES</u> Internal Service Funds
\$ 721,493	\$ 2,529,847	\$ 331,242	\$ 183,489,910	\$ 12,099,461
-	-	-	4,682,844	-
45,597	567	30,451	3,236,632	822,434
<u>767,090</u>	<u>2,530,414</u>	<u>361,693</u>	<u>191,409,386</u>	<u>12,921,895</u>
-	-	-	103,761,237	-
-	-	-	11,690,438	-
428,630	1,458,377	2,987,092	13,768,950	-
-	-	-	6,082,589	-
-	-	-	2,760,761	-
-	-	-	-	11,857,991
392,740	-	-	16,125,706	-
1,296,676	462,206	231,491	20,483,682	1,912,048
-	-	-	2,651,134	-
<u>2,118,046</u>	<u>1,920,583</u>	<u>3,218,583</u>	<u>177,324,497</u>	<u>13,770,039</u>
<u>(1,350,956)</u>	<u>609,831</u>	<u>(2,856,890)</u>	<u>14,084,889</u>	<u>(848,144)</u>
610	3,631	-	144,563	26,264
-	-	-	(7,126,934)	(57,464)
-	-	-	213,585	-
-	-	-	618,133	-
-	-	2,935,232	2,936,061	-
<u>610</u>	<u>3,631</u>	<u>2,935,232</u>	<u>(3,214,592)</u>	<u>(31,200)</u>
<u>(1,350,346)</u>	<u>613,462</u>	<u>78,342</u>	<u>10,870,297</u>	<u>(879,344)</u>
<u>541,483</u>	<u>-</u>	<u>-</u>	<u>1,479,180</u>	<u>-</u>
-	-	294,081	1,260,019	25,540
-	(490,221)	-	(12,492,028)	(25,540)
-	(490,221)	294,081	(11,232,009)	-
(808,863)	123,241	372,423	1,117,468	(879,344)
<u>24,825,132</u>	<u>9,296,348</u>	<u>2,782,994</u>	<u>332,379,635</u>	<u>31,092,272</u>
<u>\$ 24,016,269</u>	<u>\$ 9,419,589</u>	<u>\$ 3,155,417</u>	<u>\$ 333,497,103</u>	<u>\$ 30,212,928</u>

**CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Cash Flows from Operating Activities:				
Cash received from customers	\$ 144,774,271	\$ 25,939,756	\$ 9,871,317	\$ 1,108,166
Cash paid to suppliers for goods and services	(120,010,774)	(9,527,765)	(4,899,885)	(1,146,817)
Cash paid to employees for services	(11,308,394)	(5,510,233)	(3,133,799)	(13)
Net cash provided by (used in) operating activities	<u>13,455,103</u>	<u>10,901,758</u>	<u>1,837,633</u>	<u>(38,664)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers in	603,221	-	-	362,717
Transfers out	(9,148,383)	(1,752,123)	(928,301)	(173,000)
Operating grants	-	-	-	-
Net cash provided by (used in) non-capital financing activities	<u>(8,545,162)</u>	<u>(1,752,123)</u>	<u>(928,301)</u>	<u>189,717</u>
Cash Flows from Capital and Related Financing Activities:				
Principal paid on bonds and notes	(650,000)	(4,445,000)	-	-
Interest paid on bonds and notes	(2,616,439)	(4,165,176)	-	-
Proceeds from sale of capital assets	2,698,600	-	-	-
Acquisition and construction of capital assets	(5,010,634)	(6,276,577)	-	(17,620)
Contributions received from other governments and developers	449,230	486,623	1,844	-
Net cash provided by (used in) capital and related financing activities	<u>(5,129,243)</u>	<u>(14,400,130)</u>	<u>1,844</u>	<u>(17,620)</u>
Cash Flows from Investing Activities:				
Investment income	112,075	106,431	7,369	326
Net cash provided by investing activities	<u>112,075</u>	<u>106,431</u>	<u>7,369</u>	<u>326</u>
Net increase (decrease) in cash and cash equivalents	(107,227)	(5,144,064)	918,545	133,759
Cash and cash equivalents, beginning	<u>71,971,096</u>	<u>\$ 69,582,453</u>	<u>\$ 7,088,113</u>	<u>\$ 2,420</u>
Cash and cash equivalents, ending	<u>\$ 71,863,869</u>	<u>\$ 64,438,389</u>	<u>\$ 8,006,658</u>	<u>\$ 136,179</u>

The notes to the financial statements are an integral part of the financial statements.

<u>ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
<u>Ocala International Airport</u>	<u>Communi- cations</u>	<u>SunTran</u>	<u>Total</u>	<u>ACTIVITIES</u> <u>Internal Service Funds</u>
\$ 751,589	\$ 2,460,918	\$ 172,171	\$ 185,078,188	\$ 12,236,915
(377,179)	(825,587)	(2,695,857)	(139,483,864)	(13,683,599)
<u>(385,589)</u>	<u>(609,989)</u>	<u>(98,815)</u>	<u>(21,046,832)</u>	<u>(4,408)</u>
<u>(11,179)</u>	<u>1,025,342</u>	<u>(2,622,501)</u>	<u>24,547,492</u>	<u>(1,451,092)</u>
-	-	294,081	1,260,019	25,540
-	(490,221)	-	(12,492,028)	(25,540)
-	-	2,935,232	2,935,232	-
-	<u>(490,221)</u>	<u>3,229,313</u>	<u>(8,296,777)</u>	<u>-</u>
-	-	-	(5,095,000)	-
-	-	-	(6,781,615)	-
-	-	-	2,698,600	-
(476,221)	(188,849)	(610,063)	(12,579,964)	(720,650)
<u>541,483</u>	<u>-</u>	<u>-</u>	<u>1,479,180</u>	<u>-</u>
<u>65,262</u>	<u>(188,849)</u>	<u>(610,063)</u>	<u>(20,278,799)</u>	<u>(1,522,431)</u>
<u>918</u>	<u>4,600</u>	<u>-</u>	<u>231,719</u>	<u>44,571</u>
<u>918</u>	<u>4,600</u>	<u>-</u>	<u>231,719</u>	<u>44,571</u>
55,001	350,872	(3,251)	(3,796,365)	(2,928,952)
<u>\$ 494,881</u>	<u>\$ 3,835,520</u>	<u>\$ 3,251</u>	<u>152,977,734</u>	<u>31,279,502</u>
<u>\$ 549,882</u>	<u>\$ 4,186,392</u>	<u>\$ -</u>	<u>\$ 149,181,369</u>	<u>\$ 28,350,550</u>

(Continued)

CITY OF OCALA, FLORIDA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUSINESS-TYPE ACTIVITIES -			
	Electric System Revenue	Water and Sewer	Sanitation	Municipal Golf Course
Reconciliation of Cash and Cash Equivalents to Balance Sheet:				
Total current cash and investments per the balance sheet	\$ 28,441,280	\$ 42,685,809	\$ 8,006,658	\$ 136,179
Total noncurrent cash and investments per the balance sheet	<u>53,669,469</u>	<u>21,752,580</u>	<u>-</u>	<u>-</u>
Total cash and investments	82,110,749	64,438,389	8,006,658	136,179
Less: Investments not meeting the definition of cash equivalents	<u>(10,246,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>71,863,869</u></u>	<u><u>64,438,389</u></u>	<u><u>8,006,658</u></u>	<u><u>136,179</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	14,035,354	2,030,151	2,152,897	(535,498)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:				
Depreciation & amortization	8,148,137	9,756,943	99,296	488,933
Loss(gain) on capital asset disposal				
Other Income	829	-	-	-
(Increase) decrease in assets:				
Accounts and notes receivable	(1,737,467)	(460,551)	(190,436)	(30,491)
Accrued unbilled revenue	362,638	-	-	-
Due from other funds	-	187,523	26,612	-
Inventories	350,189	37,410	-	(11,445)
Due from other governments	-	-	-	-
Other current assets	(44,394)	-	-	-
Increase (decrease) in liabilities:				
Accounts payable	777,042	(430,303)	(177,954)	53,566
Compensated absences payable	(28,565)	20,827	(93,668)	(9,674)
OPEB obligation payable	58,974	29,487	19,166	-
Due to other funds	252,673	-	-	(22,994)
Customer deposits	541,146	-	-	5,104
Deferred Inflows of resources	(4,682,844)	-	-	-
Unearned revenue	<u>(4,578,609)</u>	<u>(269,729)</u>	<u>1,720</u>	<u>23,835</u>
Net cash provided by (used in) operating activities	<u><u>\$ 13,455,103</u></u>	<u><u>\$ 10,901,758</u></u>	<u><u>\$ 1,837,633</u></u>	<u><u>\$ (38,664)</u></u>

The notes to the financial statements are an integral part of the financial statements.

<u>ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL</u>
<u>Ocala International Airport</u>	<u>Communi- cations</u>	<u>SunTran</u>	<u>Total</u>	<u>ACTIVITIES</u> <u>Internal Service Funds</u>
\$ 532,833	\$ 4,186,392	\$ -	\$ 83,989,151	\$ 28,350,550
17,049	-	-	75,439,098	-
549,882	4,186,392	-	159,428,249	28,350,550
-	-	-	(10,246,880)	-
549,882	4,186,392	-	149,181,369	28,350,550
(1,350,956)	609,831	(2,856,890)	14,084,889	(848,144)
1,296,676	462,206	231,491	20,483,682	1,912,048
-	-	-	829	-
(16,312)	(16,562)	(8,538)	(2,460,357)	4,311
-	-	-	362,638	-
-	(44,253)	-	169,882	-
-	4,306	-	380,460	-
811	-	(161,722)	(160,911)	-
-	-	-	(44,394)	-
44,012	(3,846)	192,420	454,937	(2,519,307)
7,151	11,448	-	(92,481)	-
2,212	2,212	-	112,051	-
-	-	(19,262)	210,417	-
-	-	-	546,250	-
5,227	-	-	(4,682,844)	-
5,227	-	-	(4,817,556)	-
\$ (11,179)	\$ 1,025,342	\$ (2,622,501)	\$ 24,547,492	\$ (1,451,092)

**CITY OF OCALA, FLORIDA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013**

	PENSION TRUST FUNDS
Assets	
Cash and cash equivalents	\$ 8,384,897
Receivables:	
Interest and dividends receivable	181,895
Accounts receivable	16,210
Due from other governments	76,667
Total receivables	<u>274,772</u>
Investments, at fair value:	
Fixed income	40,360,033
Mutual funds: equities	18,725,834
Mutual funds: real estate	11,161,717
Common stock	86,435,899
International equities	28,197,125
Real estate	1,075,540
Emerging markets	4,012,363
Hedge fund (mutual fund)	4,630,635
Total investments	<u>194,599,146</u>
Total assets	<u>203,258,815</u>
Liabilities	
Accounts payable	11,452,013
Total liabilities	<u>11,452,013</u>
Net Position	
Net position held in trust for pension benefits	<u><u>\$ 191,806,802</u></u>

The notes to the financial statements are an integral part of the financial statements.

**CITY OF OCALA, FLORIDA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	PENSION TRUST FUNDS
Additions	
Contributions:	
Employer	\$ 14,867,356
State	852,449
Employee	3,366,258
Total contributions	<u>19,086,063</u>
Investment income:	
Investment gain	26,189,340
Less: Investment management fees	<u>(839,730)</u>
Net investment gain	<u>25,349,610</u>
Total additions	<u>44,435,673</u>
Deductions	
Pension payments	18,031,597
Refunds to employees	442,619
Administration	301,250
Total deductions	<u>18,775,466</u>
Change in net position	25,660,207
Net position held in trust for pension benefits - beginning	<u>166,146,595</u>
Net position held in trust for pension benefits - ending	<u>\$ 191,806,802</u>

The notes to the financial statements are an integral part of the financial statements.

NOTES TO FINANCIAL
STATEMENTS

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City Of Ocala (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these policies are described below.

A. REPORTING ENTITY

The City of Ocala, Florida (the "City") operates under a council-manager form of government, including a six-member City Council comprised of a Mayor (elected at large) and five district Councilmen and provides the following services as authorized by its charter: public safety, public works, public utilities, culture, recreation and community development. The City of Ocala, Florida was created pursuant to the Laws of Florida, Chapter 67-1782.

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Management determined that the Community Redevelopment Agency is the only organization that should be included in the City's financial statements as a component unit.

1. *Blended Component Unit*

The Community Redevelopment Agency (CRA) was created pursuant to Chapter 163.356, Florida Statutes, City Ordinance 2009 and City Resolutions 88-37, 88-52 and 89-44. The City Council serves as the CRA Board. Although legally separate, the CRA is appropriately blended as a governmental fund type component unit into the primary government. The CRA is presented as a major governmental fund.

The City includes advisory boards and commissions within the City in its financial statements in circumstances where the City selects the governing authority, designates management, has the ability to influence operations, and has accountability for fiscal matters of the advisory boards and commissions.

2. *Related Organizations*

The following entity is not included in the accompanying financial statements:

Ocala Housing Authority (OHA) - Although the City is responsible for appointing the OHA's board, the City does not exercise the other prerequisites for inclusion as a component unit. The City's accountability for this organization does not extend beyond making these appointments. The OHA was established in 1973 and is funded primarily by the United States Department of Housing and Urban Development. The OHA service area is Marion County. The OHA currently provides financial assistance through its Housing Choice Voucher (HCV) Program (Section 8) for 1,314 low-income families, seniors and persons with disabilities. The HCV program provides rental subsidies for eligible families, via direct monthly payments to over 600 private landlords who rent

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

units throughout Marion County. A significant number of these units are located in the unincorporated areas of the county. The OHA also has 186 units of public housing and 40 market rentals of which 222 are located within the City of Ocala. The annual operating budget (for the fiscal year ended September 30, 2013) was \$10,891,772 of which the Federal Government provided \$ 10,354,681.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Positions and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary or fiduciary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Projects Funds

Proprietary Funds are used to account for the City's ongoing activities which are similar to those often found in the private business sector. The following are the City's proprietary fund types:

- Enterprise Funds
- Internal Service Fund

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City's fiduciary fund type includes:

- Pension Trust Funds

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and pension trust funds within the fiduciary fund

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the period. Measurable refers to the ability to quantify in monetary terms the amount of the revenue and receivable. Available means collectible in the current period or soon enough thereafter to be used to pay liabilities at the balance sheet date. For this purpose, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Transfers are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for unmatured principal and interest on long term-debt. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Material revenues are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period. Interest and investment income earnings are recognized when earned and allocated monthly based on each fund's equity in the pool. Some governmental fund revenues are not considered susceptible to accrual because they are not both measurable and available to finance expenditures of the current period.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

Accounting standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major governmental funds are combined in a single column in the fund financial statements and detailed in the combining statements section.

The City reports two major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources traditionally associated with general governments except those required to be accounted for in another fund.

The CRA Fund is the Community Redevelopment Trust Fund. It is used to account for receipts and transfers of the tax increment fees collected for improving and redeveloping the downtown area.

The City reports seven major proprietary funds:

The Electric System Revenue Fund accounts for the construction, operation and maintenance of the City-owned portion of CR-3 and the City-owned electric system as well as sales of electricity and other services to the general public. Electricity rates charged to customers are set by the City Council within the rate structure established (guidelines are approved) by the Florida Public Service Commission.

The Water and Sewer System Fund accounts for the costs and recovery of costs in the form of user charges related to the production, treatment and distribution of potable water, along with the collection, treatment and disposal of sewage waste with the City. The maintenance and improvement of utility plant required to provide these goods and services are financed primarily from user charges.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

The Sanitation Fund accounts for the operations and maintenance of the City's refuse collection system.

The Municipal Golf Course Fund accounts for the construction, operations and maintenance of the City's golf course.

The Ocala International Airport Fund accounts for the construction, operations and maintenance of the City's airport and the Foreign Trade Zone #217.

The Communications Fund accounts for the construction, operations and maintenance of the City's broadband communications (fiber optics) network.

The SunTran Fund accounts for the operations and maintenance of the regional mass transit system that began operations during 1999.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City's internal service funds related to general insurance and fleet and facilities management record operating revenue from the charges to other funds for services. For the internal service fund related to health insurance, the principal operating revenues are employer and employee contributions. Operating expense for enterprise funds and internal service funds include the cost of sales and service, administrative expenses, depreciation on capital assets, and benefits paid. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Additionally, the City reports the following fund types:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted for specified purposes.

Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Internal Service Funds account for the activities of the City's risk management and fleet and facilities management. The City's risk management program includes amounts collected and the claims paid for workers' compensation, property, general liability, health, dental and prescription medicine self-insurance. The fleet and facilities management fund is charged with acquiring and maintaining of approximately 1,027 units of fuel-driven vehicles and equipment, as well as approximately 100 facilities.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Pension Trust Funds account for the activities of the City's General Employees', Firefighters' and Police Officers' Retirement System, which accumulate resources for pension benefit payments to qualified retiring employees. They are excluded from the government-wide financial statements because they are fiduciary in nature and do not represent resources available to the government for operations.

D. BUDGETARY DATA

1. *Budgeting Policy*

An annual budget is prepared for all governmental and proprietary funds. The City Council annually adopts the budget through a Budget Resolution. Budgetary control is legally maintained at the fund level. The budget amounts presented in the accompanying financial statements for the governmental funds are as originally adopted, or as legally amended, by the City Council during the year ended September 30, 2013.

The City's Budget Resolution provides transfer authority to the City Manager to transfer budgeted amounts between departments within any fund; however, any budget amendments that alter the total expenditures of any fund must be approved by the City Council. During 2013, the City Council approved various supplemental budget appropriations to provide for unanticipated requirements of the period. Budget appropriations may not be legally exceeded on a fund basis. Appropriations lapse at the end of each fiscal year. The budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgetary comparisons reflect only those activities for which legally adopted budgets are prepared. For the year ended September 30, 2013, no expenditures exceeded the budget at the fund level.

2. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable budget appropriation, is utilized by the governmental funds of the City. Appropriations lapse at year end and outstanding encumbrances are re-appropriated as part of the subsequent year's budget. See Liabilities Note, #6, Other Commitments, for a breakdown of significant encumbrances in total by each major fund and nonmajor fund.

E. ASSETS, LIABILITIES, AND FUND EQUITY

1. *Cash & Cash Equivalents*

The City has defined Cash and Cash Equivalents to include cash on hand, demand deposits and cash with fiscal agents. Investments with original maturities of three months or less are considered to be cash equivalents.

2. *Equity in Pooled Cash Investments*

The City maintains a pooled cash investment fund which allows the various funds of the City to pool monies for investment purposes. The City maintains records to identify the equity of each fund investing in the pool as well as amounts borrowed from the pool. Investment earnings of the pool are recorded as earned and are allocated to the participating funds based on the respective fund's equity in the pool at the end of each month.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

3. Investments

All investments are stated at fair value based on quoted market prices at the end of the fiscal year. Income from other investments owned by the individual funds is recorded in the respective funds as earned.

4. Accounts Receivable

Accounts receivable are recorded in the Governmental, Business-type, and Fiduciary funds. Where appropriate, an associated allowance for doubtful accounts has been established in the related fund. Utility receivables are shown net of the allowance for uncollectible accounts. For the most part, receivables and the related revenues are recognized when determined and billed – either for services rendered, grant entitlements, or reimbursements due, or otherwise measurable and available. Utility service receivables are recorded at year end for services rendered but unbilled.

	Governmental Activities	Business-type Activities	Total
Customers:			
Billed	\$ 85,943	\$ 12,868,239	\$ 12,954,182
Unbilled	1,106,736	11,859,867	12,966,603
Miscellaneous	278,524	5,152	283,676
Gross receivables	1,471,203	24,733,258	26,204,461
Less: allowance for uncollectibles	(88,578)	(1,082,725)	(1,171,303)
Net total receivables	<u>\$ 1,382,625</u>	<u>\$ 23,650,533</u>	<u>\$ 25,033,158</u>

5. Due From/Due to Other Funds

Amounts receivable from, or payable to, other funds are reflected in the accounts of the fund until liquidated, usually within one year. Any residual balances outstanding between government activities and business-type activities are reported in the government-wide statements as “internal balances.”

6. Inventories and Prepaid Items

All City inventories, excluding golf, are maintained on a consumptions basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Golf inventory is expensed as purchased and after year-end inventory is adjusted on balance sheet. Inventories held by the General Fund consist of maintenance supplies. Inventories included in the Enterprise Funds consists of chemicals, fuels, food concessions, golf retail merchandise, and equipment and supplies held for maintenance use or for capital improvements and are stated at the lower of average cost or market. Obsolete and unusable items have been reduced to estimated salvage values.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Allowances for obsolete or unusable items have been set at 7.5% of inventory values and are as follows:

	<u>Inventory</u>	<u>Allowance for Obsolete</u>	<u>Adjusted Inventory</u>
Governmental:			
Fleet-bulk fuel	\$ 130,922	\$ (9,819)	\$ 121,103
Business-type:			
Electric	5,200,189	(390,014)	4,810,175
Water & Sewer	971,825	(72,887)	898,938
Golf	37,415	(2,806)	34,609
Communications	94,207	(7,066)	87,141
Total Business-type	<u>\$ 6,303,636</u>	<u>\$ (472,773)</u>	<u>\$ 5,830,863</u>

Certain payments to vendors for services that will benefit periods beyond September 30, 2013 are recorded as prepaid items and are recorded as prepaid items in both the government-wide and fund financial statements.

7. Restricted Assets

Certain proceeds of the City's revenue bonds (enterprise funds), as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or other legal agreements. The revenue bond debt service funds are used to segregate resources accumulated for debt service payments over the next twelve months. The renewal and replacement funds are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use thereof to a future project of replacement equipment acquisition.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Property, plant, and equipment with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed \$25,000 and possess estimated useful lives of more than one year.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. For intangible assets, the capital outlay must be greater than \$5,000. For software costs, the capital outlay must be greater than \$5,000 per user license. Other costs incurred for repairs and maintenance are expensed as incurred. Amortization of intangible assets including software costs is included with depreciation expense in the financial statements.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

	<u># of Years</u>
Buildings	15-40
Improvements Other than Buildings	20-30
Machinery and Equipment	5-15
Infrastructure	15-40

The City is recording all easements and rights of way that are determined to have limited useful lives at estimated fair market value on the date received.

Capitalization of Interest

The Electric and Water and Sewer System enterprise funds capitalize net interest costs on funds borrowed to finance the construction of capital assets. See Note 4 –Long-term debt for additional information.

Capital Leases and Installment Purchase Contracts - The acquisition or construction of general capital assets under a capital lease agreement or installment purchase contract is recognized as an expenditure and other financing source and principal and interest expenditures in the governmental funds. Property and equipment and the liabilities associated with capital leases and installment purchase contracts of proprietary funds are accounted for and reported in the financial statements of the respective proprietary fund.

9. Self-Insurance Claims

Liabilities for reported claims and incurred but not reported claims are estimated based on an actuarial review of claims pending and historical experience.

10. Compensated Absences

In governmental fund financial statements, the amount of compensated absences associated with employee terminations prior to year-end, if any, is recorded as expenditures and represents the amounts that would normally be liquidated with available spendable resources. In the government-wide financial statements, all governmental fund compensated absences are recorded and split between the current and noncurrent portions. The compensated absences payable and other post-employment benefits from the governmental funds are typically liquidated from the General Fund,

In proprietary funds, the amount of compensated absences associated with employee vacations that are recorded as expenses represent the amounts accrued during the year and the amount of compensated absences associated with employee sick leave is based on the historical annual trend of adjusted sick leave payments made at retirement. The entire liability for compensated absences of these funds is reflected in the respective financial statements split between the current and noncurrent portions.

11. Interfund Activity

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are reflected as loans or transfers. Loans are reported as receivables and payable as appropriate and are subject to elimination upon consolidation. Interfund payables and receivables are non-interest bearing. Interfund advances are liquidated in accordance with the City Council's resolution and may bear interest. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

12. *Accrued Revenue*

Revenues of enterprise funds are accrued based on estimated unbilled services provided to customers at the end of the fiscal year.

13. *Rate Stabilization/Regulatory Operations*

A Rate Stabilization account was created by the City which allows current income to be deferred to a future time in order to stabilize electric rates. Accounting standards allow for the deferral of revenues and expenses to future periods in which the revenues are earned or the expenses are recovered through the rate-making process, which is a resolution approved by City Council. Unearned revenues are recorded as a Regulatory liability-Rate Stabilization or a Regulatory asset-Rate Stabilization. The revenues are set aside for rate stabilization and revenue is recognized from the deferred revenue account as rate stabilization funds are used to “stabilize” the customers’ utility bills. The targeted maximum funding level is 25% of projected annual fuel costs. The Council approved the use of \$4,682,844 of this account to fund the under collection as of September 30, 2013. At the end of the fiscal year the rate stabilization fund balance was \$27,497,966.

14. *Power Cost Adjustment (PCA)*

The power cost adjustment represents the City’s cost of power adjustment to revenues collected, but for which costs have not been incurred. These amounts will be returned to the customers in future years through reduced utility billings or be used for other lawful purposes in accordance with the City’s rate tariff on file with the Public Service Commission; including funding for the City’s Rate Stabilization account/fund.

15. *On-Behalf Payments for Fringe Benefits*

The City receives on-behalf payments from the State of Florida to be used for Police and Fire Pension Plan enhancements. On-behalf payments to the City totaled \$852,449 for FY 2013. Such payments are recorded as other tax revenue and public safety expenditures in the GAAP basis government-wide and General Fund financial statements. Funds received are recorded as revenue in the General Fund and immediately transferred to the Police and Fire Pension Plan as an expense to the General Fund.

16. *Cost Allocations*

Certain expenses are incurred by the City’s Electric System Revenue Fund on behalf of the Water and Sewer and Sanitation funds. The Electric System Revenue Fund charges for these services based on the receiving fund’s original budgeted appropriations. The reimbursement for these services is recorded as an operating expense of the Water and Sewer and Sanitation funds and as operating revenue of the Electric Revenue Fund.

The City’s General Fund also incurs certain expenditures on behalf of other funds of the City. The General Fund is reimbursed for these expenditures based on actual cost allocations. The amounts reimbursed are recorded as revenue of the General Fund. The related reimbursements are recorded as either an operating expense of the proprietary funds or as an expenditure of the governmental funds.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

17. Fund Equity

In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – This fund balance has spending constraints that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted:

Committed – This fund balance represent amounts that have internally imposed restrictions mandated by formal action of the government’s highest level of decision-making authority. The specific purposes are determined by a formal action (resolution) of the City Council, the City’s highest level of decision making authority. These amounts cannot be used for other purposes unless the same type of formal action is taken by the highest level of decision-making authority to reverse or modify the previously imposed restriction.

Assigned – This fund balance reports amounts that are constrained by the government’s intent that they will be used for specific purposes. This includes spendable fund balance amounts established by management of the City that are intended to be used for specific purposes that are neither considered restricted or committed. City Council adopted a Resolution that authorizes management of the City to assign fund balances.

Unassigned – This fund balance is the residual fund balance for the General Fund. It reflects the resources that are available for further appropriation and expenditure for general governmental purposes. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. There is an exception to the use of this fund. If there is a negative fund balance in the Special Revenue, Capital Project or Debt Service due to expenditures incurred exceeding the amounts restricted, committed or assigned for specific purposes in these funds, then it is possible that those funds would report a negative Unassigned Fund Balance.

Spending Order of Fund Balances

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

	<u>GENERAL FUND</u>	<u>CRA FUND</u>	<u>OTHER GOVTL FUNDS</u>
<u>NONSPENDABLE:</u>			
Inventory	\$ 121,103	\$ -	\$ -
Prepays	191,136	-	-
Total Nonspendable	312,239	-	-
<u>RESTRICTED:</u>			
Transportation			
Gas Tax Revenues from State	-	-	\$ 7,160,567
Capital Projects			
Bond Proceeds -Cap Impv Bonds 2002	-	-	826,162
Bond Proceeds -Cap Impv Bonds 2007A	-	-	1,856,864
	-	-	2,683,026
Debt Service			
Resv for Cap Impv Bonds 2007A	-	-	350,103
Resv for Optional Gas Tax Bonds 2002/2012	-	-	827,283
Resv for Cap Impv Bonds 2007B	-	-	85,788
	-	-	1,263,174
Public Safety			
Fire Impact Fees	586,098	-	-
Police Automation	336,799	-	-
Police Education & Training	185,107	-	-
Local Confiscations	155,194	-	-
Federal Confiscations	445,534	-	-
Reserves for Public Safety Programs	390,289	-	-
	2,099,021	-	-
Development District Improvements			
Downtown Development Board	-	-	253,958
Community Redevelopment Trust	-	3,854,480	-
	-	3,854,480	253,958
Grants			
State Housing Impv Project (SHIP)	-	-	105,879
Reserves for Tree Mitigation	133,289	-	-
Transportation Planning Organization (TPO)	7,132	-	-
Community Devel Block Grant (CDBG)	10,672	-	-
	151,093	-	105,879
Total Restricted	2,250,114	3,854,480	11,466,604
<u>UNRESTRICTED:</u>			
Committed			
Stormwater Utility	-	-	5,825,062
Payroll	22,047	-	-
Economic Improvement Program	2,053,109	-	-
Total Committed	2,075,156	-	5,825,062
Assigned			
Subsequent year budget	7,876,051	-	-
Public safety-reserve for special investigations	30,843	-	-
Reserves for Fire/Streets/Sidewalks	11,563,443	-	-
Total Assigned	19,470,337	-	-
Unassigned			
	17,366,628	-	-
Total Unrestricted	38,912,121	-	5,825,062
Total Fund Balances	\$ 41,474,474	\$ 3,854,480	\$ 17,291,666

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

F. REVENUES, EXPENDITURES, AND EXPENSES

Substantially all governmental funds revenues (including sales taxes, franchise fees, and licenses) are accrued. Property taxes are generally billed and collected within the same period in which the taxes are levied. In addition, revenue from Federal and State reimbursement type grants for which eligibility requirements have been met have been accrued and recognized as revenues of the period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Operating revenues for proprietary operations generally result from providing services in connection with a proprietary fund's principal on-going operation (e.g., electric, water, sewer, sanitation). The principal operating revenue of the proprietary funds is receipts from customers. Operating expenses are costs to provide the service, including salaries, contractual services, depreciation, and administrative expense. All other revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Expenditures are recognized when the related fund liability is incurred except for the following:

- General obligation long-term debt principal and interest and compensated absences are reported, if any, only when due.
- Inventory costs, excluding the Golf fund, are reported in the period when inventory items are consumed, rather than in the period purchased.

1. Property Taxes

The City is permitted under its charter to levy taxes up to \$10 per \$1,000 of assessed valuation for general government services other than the payment of principal and interest on general long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. Additional taxes assessed for the payment of general long-term debt issues of the City must be approved by the public. The tax rate assessed by the City for the year ended September 30, 2013 was \$6.1502 per \$1,000 of assessed property value. Current tax collections (inclusive of legally available early payment discounts) for the City were approximately 95.5% of the total tax levy. The property tax calendar provides for the tax revenue to be billed and collected within the applicable fiscal year.

Under Florida law, the assessment of all properties and the collection of all county, municipal, special district, and school board property taxes are provided by the County's Property Appraiser and Tax Collector, who are elected County officials. State Statutes provide for tax discounts for installment payment or full payments before certain dates. Installment prepayment dates and discounts of each installment (one-fourth or estimated taxes) are: June 30 – 6%, September 30 – 4.5%, December 31 – 3% and March 31 – 0%. Full payment dates and discounts are: November 30 – 4%, December 31 – 3%, January 31 – 2%, February 28 – 1% and March 31 – 0%.

The property tax calendar for revenues billed and received for fiscal year ended September 30, 2013 is shown as follows:

Lien Date	January 1, 2012
Certification of Taxable Value	July 1, 2012
Final public hearing to adopt proposed millage rate	September 18, 2012
Certification of final Taxable Value	October 3, 2012
Beginning of fiscal year for tax assessment	October 1, 2012

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Tax bills rendered	November 1, 2012
Property Tax Payable:	
Maximum Discount by	November 30, 2012
Due Date	March 31, 2013
Delinquent on	April 1, 2013
Tax Certificates issued for delinquent taxes by	May 31, 2013

2. Operating Subsidies, Grants, and Impact Fees

Program and capital grants received by governmental funds are recorded in the applicable governmental fund as receivables and revenues at the time reimbursable costs are incurred and all significant grant restrictions are satisfied. Grant revenues received in advance of meeting all major grant restrictions are deferred.

Capital grants received by proprietary funds are also recorded as revenues and receivables when reimbursable project costs are incurred or as deferred credits if the grant money is received in advance of project expenditures. Subsidies and grants to proprietary funds, which finance either capital or current operations, are recorded as non-operating revenue when earned.

Water and Sewer impact fees are restricted. These fees represent a capacity charge for the proportionate share of the cost of expanding, over-sizing, separating or constructing new additions to the Water or Sewer systems. The City is obligated to expend these funds only to provide expanded capacity to the systems.

Deposits received which reserve capacity in the City's future water or sewer systems are recorded as a liability upon receipt.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

The City has no excess of expenditures over appropriations in the General Fund or major special revenue funds.

The non-major governmental funds may reflect immaterial excesses of expenditures over appropriations (less than \$15,000)

NOTE 3 - DETAIL NOTES –ALL FUNDS

A. ASSETS

1. Pooling of Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds, except the pension trust funds and certain other funds required to have separate bank accounts. Each fund type's portion of this pool is

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

displayed on the combined balance sheet as "Equity in pooled cash and investment fund". The investment policy specifies limits by instrument and issue (within instrument) and establishes a diversified investment strategy, minimum credit quality, and authorized institutions available. In addition, investments are held separately by several of the City's funds. The deposits and investments of the pension trust funds are held separately from those of other City funds.

At September 30, 2013, the carrying amount of the City's deposits was \$34,018,784. These deposits, consisting of interest bearing and non-interest bearing demand accounts, were entirely insured by federal depository insurance or by collateral held by the City's agent pursuant to the Public Depository Security Act of the State of Florida. This Act requires that the City maintain deposits only in "qualified public depositories". All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. In addition, qualified public depositories are required under the Act to assume mutual responsibility against loss caused by the default or insolvency of other qualified public depositories of the same type. Should a default or insolvency occur, the State Treasurer would implement procedures for payment of losses according to the validated claims of the City.

The city maintains a liquid pooled cash fund in order to meet its obligation needs. Funds not prohibited by bond covenants have pooled their cash balances in order to maximize investment earnings. The City's banking arrangement provides that the City will maintain a compensating/floor balance of \$15 million which is used to offset any monthly direct service charges. During most of 2013, an interest rate floor was in place due to a low interest rate environment. As of September 30, 2013, the interest rate floor was .07%.

Cash equivalents consist of amounts placed with the State Board of Administration (SBA) for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. The fund is divided into two separate funds; namely Florida PRIME and Fund B. Florida PRIME operates under investment guidelines established by Section 215.47, Florida Statutes. The City's investment in Florida PRIME, a Securities and Exchange Commission Rule 2a7-like external investment pool, in the amount of \$31,043,030 is reported at amortized cost. The Florida PRIME investment pool had a weighted average days to maturity of 44 days as of September 30, 2013. Florida PRIME is rated AAAM by Standard & Poor's. Details on Fund B are in the Investment Portfolio section of this note.

2. Restricted Assets

The balances of the restricted asset account in the enterprise funds are as follows:

Classified as:	Non-Current Assets	Current Portion	Restricted Assets
Debt Service	\$ 8,656,738	\$ (8,656,738)	\$ -
Capital Projects	24,916,132	(1,331,893)	23,584,239
Renewal and Replacement	4,182,890	-	4,182,890
Rate Stabilization	27,497,966	-	27,497,966
CR#3 Decommissioning Trust	10,246,880	-	10,246,880
Total Restricted Assets	<u>\$ 75,500,606</u>	<u>\$ (9,988,631)</u>	<u>\$ 65,511,975</u>

3. Investments

The City's investment guidelines, except for pension fund and deferred compensation assets (see Notes on pages 13 and 20, respectively) are defined by City Ordinance and a written investment policy that is approved by the City Council. The investment policy specifies limits by instrument and issuer (within instrument) and

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

establishes a diversified investment strategy, minimum credit quality, and authorized institutions available as counterparties. Implementation and direction of investment strategies, within policy limits, are established by an internal Investment Committee and managed by external money managers.

The fair values of the City's fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in the fair values of those instruments. Fair values of interest rate-sensitive instruments may also be affected by the credit worthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, duration of the instrument, and other general market conditions.

a. Derivatives

The City has no derivative investments in its portfolio at September 30, 2013. As noted below, the City has established investment policy guidelines for each investment portfolio. Pursuant to these guidelines, derivative investment instruments are authorized, but limited in use only if the Chief Financial Officer has sufficient understanding or expertise.

b. General Investment Guidelines

On December 8, 1992, as amended September 5, 1995 and further amended on September 17, 2013, the City of Ocala adopted a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits, issuer limits, credit ratings requirements, and maturity limits to protect the City's cash and investment assets. The City maintains a common cash and investment pool for the use of all funds.

The City's investment policy allows for the following investments: Local Government Investment Pools, United States government securities, United States government agency securities, federal instrumentalities, interest bearing time certificates of deposit or saving accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, money market mutual funds, intergovernmental investment pools, corporate obligations or corporate notes, collateralized mortgage obligations (CMOs), mortgage-backed securities (MBS), asset-backed securities (ABS), Yankee securities, Eurodollar securities money market mutual funds, bond funds and any investment security authorized by Florida Statutes, 218.415.

The City's investment policy also requires that investments be rated as follows: Corporate notes, State and local government debt, General obligation or revenue bonds rated BBB by Standard & Poor's (S&P) or Moody's Rating Services; Commercial paper rated at least Prime-2 by Moody's or A-3 by S&P; Mortgage and asset backed securities rated AAA or equivalent by Moody's or S&P; CMO's backed by an agency of the U.S. Government; Money market mutual funds comprised only of those investment instruments authorized in the policy. The City's policy does not require a minimum rating for U. S. Government securities, agencies or federal instrumentalities.

c. Third Party Portfolio Managers

Under the City's investment policy, third party managers were set up in a well diversified pool of three tiers.

Pool I (short-term investments) durations of 1 to 3 years,
Pool II (short intermediate investments) durations of 1 to 5 years,
Pool III (intermediate investments) durations of 1 to 10 years.

The City uses an independent advisor that provides performance measurement service, which (a) compares individual manager performances to their respective index monthly, (b) compares manager performance to

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

their respective industry peer group quarterly, and (c) reviews portfolio compliance. Each manager has a goal of exceeding their respective benchmark, net of fees, over a market cycle.

Each manager has an individual policy limitation that, when combined, does not exceed 10% for each sector. The effective duration of the portfolio shall not exceed 120%, nor be less than 50% of the target benchmark.

The benchmarks for each portfolio were chosen to better reflect the investments held in the account. Pool I is measured against Bank of America Merrill Lynch 1-3 Year Unsubordinated U.S. Treasury/Agencies index, Pool II is benchmarked against Bank of America Merrill Lynch 1-5 Year Government/Corporate index, and Pool III is compared to the Bank of America Merrill Lynch 1-10 Year Domestic Master index.

Total Funds Recap:

Security Type	Average Rating	Fair Value	Effective Duration (In Years)
Carrying Value of Cash	n/a	\$ 34,092,532	n/a
Treasury Investment Portfolio	AA+	172,307,073	2.42
SBA Fund B	Not Rated	243,552	4.04
SBA Florida PRIME	AAAm	31,043,030	44 Days
Florida SAFE	AAAm	2,502,257	35 Days
CR-3 Decommissioning Trust	AAA	10,246,880	0.64
Total		<u>\$ 250,435,323</u>	1.70

The City's investment in Fund B Surplus Funds Trust Fund in the amount of \$243,552 is reported at fair value. The Fund B Surplus Trust Funds investment pool had a weighted average life of 4.04 years as of September 30, 2013.

The City utilizes "effective duration" as a measurement of interest rate risk and as of September 30, 2013 the Treasury investment portfolio had an overall effective duration of 2.42 years. As of September 30, 2013, the Treasury investment portfolio had the following investment types and effective duration presented in terms of years:

Total Treasury Portfolio (Pools I, II, III)			Weighted Average Maturity Years
Security Type	Average Rating	Fair Value	
U.S. Treasury Bond / Note	AA+	\$ 42,803,206	2.32
Federal Agency Bond / Note	AA	32,757,177	1.25
Mortgage Backed Pass-through Security	AA+	17,574,779	3.40
GNMA Collateralized Mortgage Obligation	AA+	37,592	3.66
Corporate Notes	A+	63,604,335	3.06
Commercial Paper	A-1	2,299,737	0.05
ABS / CMBS	AAA	8,243,504	1.73
Sovereigns	AA-	502,350	4.99
Municipal Bond / Note	AA+	1,999,876	2.38
Money Market Mutual Fund	A-1	2,484,518	0.05
Total Treasury Portfolio-Pools I, II, and III		<u>\$ 172,307,073</u>	2.42

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

d. Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value.

The City's investment policy sets limits for investment maturities to match known cash needs and anticipated cash flow requirements. Investments of bond reserves, construction funds, and other non-operating funds, "core funds", shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed seven (7) years. No more than 50% of the City's total investment portfolio shall be placed in securities maturing more than three years.

POOL I – Short-Term Investments:

Security Type	Average Rating	Fair Value	Weighted Average Maturity Years
U.S. Treasury Bond / Note	AA+	\$ 25,049,328	1.49
Federal Agency Bond / Note	AA+	9,715,284	1.73
Mortgage Backed Pass-through Security	AA+	2,463,126	5.25
GNMA Collateralized Mortgage Obligation	AA+	37,592	3.66
Corporate Notes	AA	8,393,686	2.20
Commercial Paper	A-1	2,299,737	0.05
Municipal Bond / Note	AA+	1,468,466	2.08
Money Market Mutual Fund	AAA	166,789	0.00
Sub-total Pool I		49,594,008	1.79

POOL II – Short Intermediate Investments:

U.S. Treasury Bond / Note	AA	\$ 13,040,833	3.26
Federal Agency Bond / Note	AA	20,861,095	0.74
Mortgage Backed Pass-through Security	AAA	542,541	2.72
Corporate Notes	A	35,587,340	1.92
Money Market Mutual Fund	AAA	1,401,066	0.08
Sub-total Pool II		71,432,875	1.79

POOL III – Intermediate Investments:

U.S. Treasury Bond / Note	AA+	\$ 4,713,045	4.13
Federal Agency Bond / Note	AA+	2,180,798	4.06
Mortgage Backed Securities	AA+	14,569,112	3.11
Corporate Notes	A	19,623,309	5.49
ABS / CMBS	AAA	8,243,504	1.73
Sovereigns	AA-	502,350	4.99
Municipal Bond / Note	AA+	531,410	3.22
Money Market Mutual Fund	A-1	916,663	0.00
Sub-total Pool III		51,280,190	3.91
Total of Pools I, II, and III		\$ 172,307,073	2.42

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

In addition to the investment portfolio, the City has a Crystal River #3 Decommissioning Trust Fund. The balance as of September 30, 2013 was as follows:

CR #3 Decommissioning Trust:			Effective
			Duration
<u>Security Type</u>	<u>Average Rating</u>	<u>Fair Value</u>	<u>(In Years)</u>
Money Market Mutual Fund	AAAm	\$ 4,979,914	n/a
U.S. Government Agencies	AAA	5,266,965	1.24
Total		<u>\$ 10,246,880</u>	0.64

e. Credit Risk

Credit risk is the risk that an issuer of a debt security will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating to each debt security by a nationally recognized credit rating agency. The City's investment policy limits investments to those described above.

f. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City's investment policy, pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third party custodian; and all securities purchased by, and all collateral obtained by the City should be properly designated as an asset of the City. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposits will be placed in the provider's safekeeping department for the term of the deposit.

As of September 30 2013 the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

g. Concentration of Credit Risk

It is the policy of the City of Ocala to diversify its investment portfolio. Assets held are diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, a specific instrument, a class of instruments, or a dealer through whom these instruments are bought and sold.

The City's investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the City's investment portfolio and must be observed by investment managers.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Concentration of Credit Risk (continued):

	<u>Sector Allocations</u>		<u>Individual Issue/ Fund Limit</u>
	<u>Minimum</u>	<u>Maximum</u>	
U.S. Treasury & Federal Agencies	35%	None	None
Corporate Debt Obligations	None	50%	5%
Mortgage/Asset Backed Securities	None	30%	5%
Municipal Securities	None	20%	5%
Certificates of Deposit	None	20%	5%
Repurchase Agreements	None	25%	15%
Local Government Investment Pools	None	25%	25%
Participation in collateral or otherwise collateralized debt instruments (Issuer Level)	None	20%	5%
Participation in collateral or otherwise collateralized debt instruments (Security Level)	None	None	5%
Money Market Mutual/Trust	None	30%	15%
Yankee and Euro Dollars Securities	None	15%	3%

As of September 30, 2013, the City's investment portfolio was in compliance with all diversification requirements of the City's investment policy.

h. Foreign Currency Risk

The City is not exposed to this type of risk.

4. Pension Trust Funds

The City maintains single-employer, Defined Benefit (DB) pension plans which cover its full-time certified law enforcement officers (the Police Officers' Retirement System); its full-time certified firefighters (the Firefighters' Retirement Plan); and the rest of the City's full-time employees (the General Employees' Retirement System). The provisions of each of the Plans are established by City Ordinance. During fiscal year 2000 the City's pension plans were restructured, which addressed the changes in the requirements of the Florida Statutes, Chapters 175 and 185.

The Florida Constitution requires local governments to make the actuarially determined contributions to their DB plans. The Florida Division of Retirement reviews and approves each local government's actuarial report to ensure its appropriateness for funding purposes. Additionally, the State collects two locally authorized insurance premium surcharges (one for the Police Pension Plan on casualty insurance policies and one for the Firefighter Pension Plan on certain real and personal property insurance policies within the corporate limits) which can only be distributed after the State has ascertained that the local government has met their actuarial funding requirements for the most recently complete fiscal year. These on-behalf payments received from the State are recognized as revenue and expense in the General Fund and are used to reduce the City's contribution to the Police and Fire Pensions. On-behalf payments to the City totaled \$852,449 for the fiscal year ended September 30, 2013.

Pension plan contributions include provision for normal cost plus an amount sufficient to amortize the past service liability over a twenty-six year period.

These plans do not participate in the City's equity in pooled cash and investment fund. The deposits and investments of each plan are held separately from those of other City funds.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

a. Cash and Deposits

At September 30, 2013, the carrying amounts of the City's pension plans' deposits were as follows:

General Employees' Retirement System	\$ 489,893
Police Officers' Retirement System	225,532
Firefighters' Retirement Plan	188,786
Total Pension Trust Funds	<u>\$ 904,211</u>

These deposits, consisting of non-interest bearing demand accounts, were entirely insured by federal depository insurance or by collateral held by the City's agent pursuant to the Public Depository Security Act of the State of Florida. This Act requires that the City maintain deposits only in "qualified public depositories". All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. In addition, qualified public depositories are required under the Act to assume mutual responsibility against loss caused by the default or insolvency of other qualified public depositories of the same type. Should a default or insolvency occur, the State Treasurer would implement procedures for payment of losses according to the validated claims of the City.

b. Investment Guidelines

Each of the three City pension plans are governed by an independent board of directors who have adopted a comprehensive investment policy pursuant to Section 112.661, Florida Statutes that establish permitted investments, asset allocation limits, issuer limits, credit rating requirements, and maturity limits to protect their pension plan's cash and investment assets. Each of the plans employs multiple investment managers to manage the various security types used by the plan. These managers along with the plan's investment advisor attempt to attain the plan's stated investment objective, which is to match a bench mark developed from appropriate published security indexes in the same proportions as those asset types occur in the portfolio, as well as to achieve, over the long run, the assumed interest rate used for the plan's actuarial calculations.

Section 215.47, Florida Statutes, limits the types of investments that a government pension plan can invest in unless specifically authorized in an investment policy. The investment policies of the City's various pension plans generally allow for cash and fixed-income instruments very similar to those permitted for the City's investment pool, i.e., Local Government Investment Pools, United States government securities, United States government agency securities, federal instrumentalities, non-negotiable interest bearing time certificates of deposit or saving accounts, repurchase agreements, commercial paper, bankers' acceptances, state and/or local government taxable and/or tax-exempt debt, money market mutual funds, intergovernmental investment pools, corporate obligations or corporate notes, mortgage-backed securities (MBS), asset-backed securities (ABS), and bond funds. The General Employees' plan, Police Officers plan and the Firefighters plan are permitted to invest corporate bonds and asset or mortgage-backed securities rated at investment grade, BBB or better.

In addition, the investment policies of all three pension plans permit, within plan guidelines, investment in domestic and international equities. All three plans, either by policy requirement or prudent practice, diversify their domestic equity holdings between large and small capitalizations and between growth and value equity securities. The plans generally employ a different investment manager for each asset class represented in their portfolio. All three plans are also permitted to invest in pooled real estate vehicles, limited partnerships, or other types of real estate investments as determined by the board in consultation with their investment adviser.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

As of September 30, 2013, the investments of the City's pension plans are as follows:

<u>Investment Type</u>		<u>% of Portfolio</u>	<u>Credit Rating</u>	<u>Duration (In Years)</u>
<u>General Employees Retirement System:</u>				
Cash Checking	\$ 489,893	n/a	n/a	n/a
Cash and Cash Equivalents	3,286,172	3.06%	n/a	n/a
Fixed Income	14,798,328	13.79%	A+	4.73
Mutual Funds: Equities	4,302,363	4.01%	n/a	n/a
Mutual Funds: Real Estate	7,568,906	7.05%	n/a	n/a
Common Stock	52,883,860	49.27%	n/a	n/a
International Equities	15,860,442	14.78%	n/a	n/a
Emerging Markets	4,012,363	3.74%	n/a	n/a
Hedge Fund (mutual fund)	4,630,635	4.31%	n/a	n/a
Fund total	<u>\$ 107,832,962</u>	<u>100.00%</u>		
<u>Police Officers Retirement System:</u>				
Cash Checking	\$ 225,532	n/a	n/a	n/a
Cash and Cash Equivalents	1,918,244	3.60%	n/a	n/a
Fixed Income	15,549,600	29.15%	AA-	4.50
Common Stock	28,483,752	53.40%	n/a	n/a
International Equities	6,316,455	11.84%	n/a	n/a
Real Estate	1,075,540	2.02%	n/a	n/a
Fund total	<u>\$ 53,569,123</u>	<u>100.00%</u>		
<u>Firefighters Retirement Plan:</u>				
Cash Checking	\$ 188,786	n/a	n/a	n/a
Cash and Cash Equivalents	2,276,270	5.50%	n/a	n/a
Fixed Income	10,012,105	24.19%	AA	5.18
Mutual Funds: Equities	14,423,471	34.85%	n/a	n/a
Mutual Funds: Real Estate	3,592,811	8.68%	n/a	n/a
Common Stock	5,068,287	12.24%	n/a	n/a
International Equities	6,020,228	14.54%	n/a	n/a
Fund total	<u>\$ 41,581,958</u>	<u>100.00%</u>		
Total pension plan cash and investments	<u>\$ 202,984,043</u>			

c. Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair market value to changes in market interest rates. The pension plan investment policies provide specific limits for investment maturities. One method of measuring interest rate risk is "effective duration". As of September 30, 2013, the securities in the City's pension plans had the effective durations presented above and were in compliance with their respective investment policies.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

d. Credit Risk

Credit risk is the risk that an issuer of a debt security will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating to each debt security by a nationally recognized credit rating agency. Each of the plans provides guidelines for the credit ratings of specific types of investments. All of the investment policies permit investment only in fully marketable securities rated at institutional investment grade quality or higher by Standard & Poor's or Moody's, with higher quality rating required for specific asset classes. As of September 30, 2013, the three pension plans had the credit exposures listed above as a percentage of total investments. All investments were in compliance with their respective investment policies

e. Custodial Credit Risk

Investment securities are exposed to custodial credit risk if they are uninsured and are not registered in the name of the government and are held by either the counterparty or the counterparty's trust department or agent, but not in the government's name. The pension plans' investment policies, pursuant to Section 112.661(10), Florida Statutes, require that the plan's securities shall be held with a third party custodian; and that all securities purchased by, and all collateral obtained by the plan should be properly designated as an asset of the plan. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. As of September 30, 2013, all identifiable investment securities of the pension plan portfolios are registered in the respective plan's name and are held by a third-party custodian as required.

f. Concentration of Credit Risk

It is the policy of the three City pension plans to diversify their investment portfolios. Assets held are diversified to control the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, a specific instrument, a class of instruments, or a dealer through whom these instruments are bought and sold. The plan's investment policies have established asset allocation and issuer limits, which are designed to reduce concentration of credit risk and must be observed by Investment Managers. In general, all three investment policies require that investment in the securities of a single issuer cannot exceed 5% of the market value of the portfolio. Compliance with the provisions of the investment policies which are designed to maintain appropriate diversification are monitored on an ongoing basis by the Investment Advisors employed by each plan.

g. Foreign Currency Risk

Foreign currency risk occurs when securities held in a portfolio are denominated in one or more foreign currencies with the attendant potential risk of loss arising from changes in the exchange rate. While all three of the City's pension plans invest a small portion of their portfolios in international equities, these securities are not denominated in foreign currencies, and thus the plans are not exposed to this risk. The General Employees' Retirement System had an actual allocation to international equity of 24% as of September 30, 2013. According to F.S. 215.47, general employee pension plans may have up to 25% of assets allocated to international equities. The Firefighters' Retirement Plan had an allocation of 14% to international equities as of September 30, 2013. According to F.S. 175.071, firefighter pension plans may have up to 25% of assets allocated to international equities. The Police Officers' Retirement System had an allocation of 12% to

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

international equities as of September 30, 2013. According to F.S. 185.06, police pension plans may have up to 25% of assets allocated to international equities.

5. Due from Other Governments

The following amounts were due from other governments as of September 30, 2013:

	General Government	Business- Type	Totals
Federal Government	\$ 141,962	\$ 718,006	\$ 859,968
State of Florida	754,982	222,142	977,124
Marion County, Florida	2,231,574	126,531	2,358,106
Total	<u>\$ 3,128,518</u>	<u>\$ 1,066,680</u>	<u>\$ 4,195,198</u>

6. Interfund Transactions

The composition of interfund balances as of September 30, 2013 is as follows:

	Interfund Receivables/ Payables
Due to General Fund from:	
Electric System Revenue Fund	\$ 878,911
SunTran Fund	420,735
Total due to General Fund from other funds	<u>1,299,646</u>
Due to nonmajor governmental funds from:	
Electric System Revenue Fund	<u>209,889</u>
Due to Water and Sewer Fund from:	
Electric System Revenue Fund	<u>1,147,802</u>
Due to Sanitation Fund from:	
Electric System Revenue Fund	<u>424,117</u>
Due to Communication Fund from:	
Electric System Revenue Fund	<u>44,253</u>
Totals at the fund level	<u>\$ 3,125,707</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Interfund receivables and payables are the result of the allocation of unbilled receivables between utility funds and the elimination of negative equity in pooled cash accounts in funds where grant draw downs have not yet been received as of the end of the fiscal year. All of these balances are expected to be liquidated within one year.

Interfund advances, which are approved by City Council and usually bear interest, are for the funding of various projects which are too small for bond issuance and for the City's grant matches on some grants.

Interfund transfers for the year ended September 30, 2013 consisted of the following:

Transfers to General Fund from:	
Electric System Revenue Fund	\$ 8,719,746
Water and Sewer Fund	1,202,746
Sanitation Fund	750,000
Communications Fund	127,000
Non-major Funds	96,743
Total transfers to General Fund	<u>\$ 10,896,235</u>
Transfers to nonmajor governmental funds from:	
Electric System Revenue Fund	\$ 428,637
Water and Sewer Fund	243,377
Sanitation Fund	178,301
Municipal Golf Course Fund	173,000
General Fund	2,638,001
Non-major Funds	938,104
Total transfers to nonmajor governmental funds	<u>\$ 4,599,420</u>
Transfers to CRA Fund from:	
General Fund	<u>\$ 307,270</u>
Transfers to SunTran Fund from:	
General Fund	<u>\$ 294,081</u>
Transfers to Municipal Golf Course Fund from:	
General Fund	\$ 296,717
Water and Sewer Fund	66,000
Total transfers to Municipal Golf Course Fund	<u>\$ 362,717</u>
Transfers to Electric System Revenue Fund from:	
Water and Sewer Fund	\$ 240,000
Communications Fund	363,221
Total transfers to Electric System Revenue Fund	<u>\$ 603,221</u>
Total transfers at the fund level	<u>\$ 17,062,944</u>

Interfund transfers are normally recurring and are approved by City Council during the budget process or by separate resolutions. The transfers from the Enterprise Funds to the General Fund are in support of general government operations. Other transfers are for debt service requirements, for City grant matches, and for capital projects for enterprise funds.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

The differences in the interfund transfers represent capital assets, compensated absences and OPEB transferred from enterprise funds to the governmental funds. These items are not recorded in governmental funds but are reported in the government-wide reports.

Reconciliation of Transfers-In & Transfers-Out - Government-Wide Level

	In	Out	
	<u>Governmental</u>	<u>Business-Type</u>	
General Fund	\$ 8,719,746	\$ (8,719,746)	Electric Fund
General Fund	1,202,746	(1,202,746)	Water & Sewer Fund
General Fund	750,000	(750,000)	Sanitation Fund
General Fund	127,000	(127,000)	Communications Fund
General Fund	(296,717)	296,717	Golf Fund.
Non-major Funds	428,637	(428,637)	Electric Fund
Non-major Funds	243,377	(243,377)	Water & Sewer Fund
Non-major Funds	178,301	(178,301)	Sanitation Fund
Non-major Funds	173,000	(173,000)	Golf Fund.
Non-major Funds	(294,081)	294,081	SunTran Fund
TOTAL TRANSFERS	<u>\$ 11,232,009</u>	<u>\$ (11,232,009)</u>	

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

7. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 19,719,267	\$ 820,838	\$ -	\$ 1,839,314	\$ 22,379,419
Intangible (easement, rights of way)	2,012,590	68,875	-	(234,126)	1,847,339
Construction In progress	5,021,696	4,197,483	(254,546)	(7,474,787)	1,489,846
Total capital assets not being depreciated	<u>26,753,553</u>	<u>5,087,196</u>	<u>(254,546)</u>	<u>(5,869,599)</u>	<u>25,716,604</u>
Capital assets being depreciated:					
Buildings and improvements	38,023,541	360,764	(77,328)	3,102,864	41,409,841
Equipment	46,329,478	901,832	(847,213)	235,339	46,619,436
Intangible (software)	2,810,562	198,408	-	28,772	3,037,742
Infrastructure (roads and streets)	304,291,573	1,017,103	-	2,414,711	307,723,387
Total capital assets being depreciated	<u>391,455,154</u>	<u>2,478,107</u>	<u>(924,541)</u>	<u>5,781,686</u>	<u>398,790,406</u>
Less accumulated depreciation:					
Buildings and improvements	(10,290,737)	(1,682,353)	6,052	-	(11,967,038)
Equipment	(29,011,699)	(2,793,643)	730,903	-	(31,074,439)
Intangible (Software)	(680,580)	(282,136)	-	-	(962,716)
Infrastructure (roads and streets)	(194,425,576)	(7,526,371)	-	-	(201,951,947)
Total accumulated depreciation	<u>(234,408,592)</u>	<u>(12,284,503)</u>	<u>736,955</u>	<u>-</u>	<u>(245,956,140)</u>
Total capital assets being depreciated-net	<u>157,046,562</u>	<u>(9,806,396)</u>	<u>(187,586)</u>	<u>5,781,686</u>	<u>152,834,266</u>
Governmental activities capital assets-net	<u>\$ 183,800,115</u>	<u>\$ (4,719,200)</u>	<u>\$ (442,132)</u>	<u>\$ (87,913)</u>	<u>\$ 178,550,870</u>
Business Type Activities:					
Capital assets not being depreciated:					
Land and improvements	\$ 22,743,452	\$ -	\$ -	\$ -	\$ 22,743,452
Intangible (easement, rights of way)	1,050,709	2,180	-	58,014	1,110,903
Construction in progress	3,367,049	8,961,180	-	(5,159,794)	7,168,435
Total capital assets not being depreciated	<u>27,161,210</u>	<u>8,963,360</u>	<u>-</u>	<u>(5,101,780)</u>	<u>31,022,790</u>
Capital assets being depreciated:					
Buildings	28,768,757	-	-	-	28,768,757
Improvements and extensions	534,498,938	6,580,377	(3,899,993)	5,081,813	542,261,135
Equipment	8,999,044	487,662	(36,312)	107,880	9,558,274
Intangible (software)	4,123,578	322,235	-	-	4,445,813
Crystal river unit no.3	16,168,423	-	(16,168,423)	-	-
Total capital assets being depreciated	<u>592,558,740</u>	<u>7,390,274</u>	<u>(20,104,728)</u>	<u>5,189,693</u>	<u>585,033,979</u>
Less accumulated depreciation:					
Buildings	(14,975,728)	(866,852)	-	-	(15,842,580)
Improvements and extensions	(212,259,936)	(18,874,611)	146,408	2,324	(230,985,815)
Equipment	(5,168,552)	(615,617)	36,312	(2,324)	(5,750,181)
Intangible (software)	(2,104,576)	(234,603)	-	-	(2,339,179)
Crystal river unit no.3	(14,087,957)	-	14,087,957	-	-
Total accumulated depreciation	<u>(248,596,749)</u>	<u>(20,591,683)</u>	<u>14,270,677</u>	<u>-</u>	<u>(254,917,755)</u>
Total capital assets being depreciated-net	<u>343,961,991</u>	<u>(13,201,409)</u>	<u>(5,834,051)</u>	<u>5,189,693</u>	<u>330,116,224</u>
Business-type activities capital assets-net	<u>\$ 371,123,201</u>	<u>\$ (4,238,049)</u>	<u>\$ (5,834,051)</u>	<u>\$ 87,913</u>	<u>\$ 361,139,014</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Depreciation expense was charged to functions /programs of the government as follows:

	Depreciation Expense
Governmental activities:	
General government	\$ 558,582
Public safety	863,336
Physical environment	400,289
Transportation	516,142
Human services	2,964
Economic environment	118,906
Infrastructure	7,526,371
Culture and recreation	385,865
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,912,048
Total depreciation expense - governmental activities	\$ 12,284,503
Business-type activities:	
Electric	\$ 8,256,139
Water and sewer	9,756,942
Sanitation	99,296
Golf Course	488,933
Airport	1,296,676
Communications	462,206
SunTran	231,491
Total depreciation expense - business-type activities	\$ 20,591,683

Crystal River #3 nuclear power plant has been written off as an impaired gain on assets. (See Commitments and Contingent Liabilities for additional information.)

B. Liabilities

1. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Risk Management attempts to identify, define, and evaluate the areas of potential loss to the City so as to reduce their occurrences. Acknowledging that some loss is inevitable, routine or predictable losses are self-insured, while other more unpredictable or catastrophic losses are transferred to insurance companies.

The City has established a self-insurance fund (an internal service fund) to account for the City's self-insured programs. This fund is used to account for the City's workers' compensation, general liability, automobile liability, and disability income replacement, medical and dental programs. The City uses a combination of self-insurance and private insurance to protect itself against risks which cannot be eliminated.

The City has general liability insurance with a \$200,000 retention per claimant and \$300,000 retention per occurrence with a \$1,000,000 per occurrence limit. The City has workers' compensation insurance with \$500,000 retention per occurrence with statutory limits per F.S 440. The disability income replacement and auto liability

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

programs are fully self-insured. The City's employee health insurance program was fully self-insured through February 1994, after which it is fully insured except for the prescription program which was fully self-insured through December 1997. Beginning October 1, 2010, the City's employee health insurance program was partially self-insured, with a pooling limit of \$150,000. The City had no significant reductions in insurance coverage during the fiscal year ended September 30, 2013.

All departments of the City participate in the program. Payments are made by various funds to the Self Insurance Fund based on past experience of the amounts needed to pay current year claims. For the year ended September 30, 2013 the City obtained actuarially determined estimates of the total claims loss reserves for all self-insurance risks. The claims liability of \$7,342,410 reported in the Fund at September 30, 2013 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued when insured events occur. In addition, there have been no settlements which exceeded the City's insurance coverage in any of the past three fiscal years. Changes in the Fund's claim liability amounts during the past three fiscal years are as follows:

	Beginning-of- Fiscal-Year-Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2010-2011	\$5,608,000	\$5,726,850	\$3,334,850	\$8,000,000
2011-2012	8,000,000	3,582,477	2,980,477	8,602,000
2012-2013	8,602,000	1,364,538	2,624,128	7,342,410

2. Leases

Operating – The City has no operating leases as of September 30, 2013.

Capital – The City does have capital leases. See Note 4-Long Term Debt for additional information.

3. Pension Plans

The City maintains a single-employer, defined benefit pension plan which covers substantially all of the City's full-time employees excluding certified law enforcement officers and certified firefighters (General Employees' Retirement System), a single-employer defined benefit pension plan which covers all of its full-time certified law enforcement officers (Police Officers' Retirement System) and a single-employer defined benefit pension plan which covers all of its full-time certified firefighters (Firefighters' Retirement Plan). The provisions of each of the Plans are established by City Ordinance. All benefit provisions, including changes in contribution requirements, can be amended only by City Ordinance. Administrative costs are financed through investment earnings. Benefits and Refunds are recognized when due and payable in accordance with the terms of the plan. During fiscal year 2000, the City's pension plans were restructured, which addressed the changes in the requirements of the Florida Statutes, Chapters 175 and 185.

a. Plan Descriptions and Provisions

General Employees' Retirement System - The General Employees' Retirement System is a contributory defined benefit pension plan covering substantially all full-time employees of the City excluding certified law enforcement officers and certified firefighters. The City is required to contribute 41.75% and general employees contribute 8.18% of their salaries or wages to the General Employees' Retirement System.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Employees are eligible to retire at age sixty-five (65) with five (5) years of credited service or at any age with thirty (30) years of credited service; or may elect early retirement at age fifty-five (55) with five (5) years of credited service or at any age with twenty-five (25) years of credited service. Employees become vested after five (5) years of credited service. See Subsequent Events footnote for pension reform changes effective October 1, 2013.

Police Officers' Retirement System - The Police Officers' Retirement System is a contributory defined benefit pension plan covering any person employed full-time in the Ocala Police Department who is certified as a law enforcement officer in compliance with the provisions of Chapter 943.14 of the Florida Statutes. Florida Statutes Chapter 185 allows contributions to the Plan by the State of Florida.

A law enforcement officer is eligible to retire on the first day of any month coincident with, or next following the earlier of the attainment of age fifty-two (52) and the completion of ten (10) years of credited service or the completion of twenty-five (25) years of credited service or may elect to take early retirement on the first day of any month coincident with or next following the attainment of age fifty (50) and the completion of ten (10) years of credited service. Those electing early retirement have the option of receiving either a deferred or an immediate monthly retirement benefit. Law enforcement officers become vested in the plan after ten (10) years of credited service.

Pursuant to Florida Statutes Section 185.08, an excise tax amounting to 0.85% of the gross amount of receipts of premiums from policyholders on all premiums collected on casualty insurance policies covering property within the corporate limits of the City is collected by the Insurance Commissioner. Such amounts collected by the Insurance Commissioner, less expenses, are contributed annually to the Plan. For the 2013 fiscal year the amount of these contributions totaled \$412,295, all of which is available to the plan for the provision of benefits, in accordance with Chapter 185, Florida Statutes. The City is required to contribute 32.53% and the law enforcement officers contribute 8.0% of their salaries or wages to the Police Officers' Retirement System.

Firefighters' Retirement Plan - The Firefighters' Retirement Plan is a contributory defined benefit pension plan covering any person employed full-time in the Ocala Fire Department who is certified as a firefighter as a condition of employment in accordance with the provisions of Section 633.35 of the Florida Statutes. Florida Statutes Chapter 175 allows contributions to the Plan by the State of Florida.

Firefighters are eligible for normal service retirement on the first day of the month coincident with or next following the earlier of the sum of age and years of service equal to seventy (70), the attainment of age fifty-five (55) and the completion of ten (10) years of credited service, or the completion of twenty-five (25) years of credited service. There shall be no mandatory retirement age. Early retirement is available to firefighter members on the first day of the month coincident with or next following the attainment of age fifty (50) and the completion of ten (10) years of credited service. Those electing early retirement may receive either a deferred or an immediate monthly retirement benefit. Firefighters become vested in the Plan after ten (10) years of credited service.

Pursuant to Florida Statutes Section 175.101, an excise tax amounting to 1.85% of the gross amount of receipts of premiums from policyholders on all premiums collected on casualty insurance policies covering property within the corporate limits of the City is collected by the Insurance Commissioner. Such amounts collected by the Insurance Commissioner, less expenses, are contributed annually to the plan. For the 2013 fiscal year the amount of these contributions totaled \$393,356; however, the amount available to the plan for the provision of benefits is frozen, in accordance with Chapter 175, Florida Statutes at \$240,401. The City is required to contribute 32.20% and the firefighters contribute 8.42% of their salaries or wages to the Firefighters' Retirement Plan.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

b. Participation

At September 30, 2013, participation in the plans consisted of the following:

	<u>General</u>	<u>Police</u>	<u>Fire</u>
Retirees and beneficiaries currently receiving benefits	638	84	61
DROP retirees	20	18	14
Terminated employees entitled to benefits not yet receiving them	<u>351</u>	<u>12</u>	<u>4</u>
	<u>1,009</u>	<u>114</u>	<u>79</u>
Current employees:			
Vested	286	82	65
Nonvested	<u>61</u>	<u>61</u>	<u>50</u>
Total	<u>347</u>	<u>143</u>	<u>115</u>

c. Investments

Investments of the three plans, consisting of domestic and international common stocks, government and non-government obligations and mutual funds, are stated at fair value based on quoted market prices at the end of the fiscal year.

d. Contributions Required and Contribution Made

The contribution requirement for the General Employees' Retirement System for the 2013 fiscal year, established through an actuarial valuation performed as of October 1, 2011, was \$12,459,652 (69.70% of current covered payroll). Actual employee contributions to the General Employees Retirement System totaled \$2,175,515 (8.18% of current covered payroll); actual employer contributions to the General Employees' Retirement System amounted to \$10,411,010 (65.75% of current covered payroll). Accumulated excess contributions in the Funding Standard (Contribution Surplus) Account were available to assist in funding the City's contribution requirement for the year.

The contribution requirement for the Police Officers' Retirement System for the 2013 fiscal year, established through an actuarial valuation performed as of October 1, 2011, was \$3,592,001 (50.30% of current covered payroll). Actual employee contributions to the Police Officers' Retirement System totaled \$633,650 (8.00% of current covered payroll), actual City contributions were \$2,553,739 (37.30% of current covered payroll) plus state contributions deposited directly to the plan amounted to \$413,333 (5% of current covered payroll). Accumulated excess contributions in the Funding Standard (Contribution Surplus) Account were available to assist in funding the City's contribution requirement for the year.

The contribution requirement for the Firefighters' Retirement Plan for the 2013 fiscal year, determined through an actuarial valuation performed as of October 1, 2011, was \$2,898,971 (32.20% of current covered payroll). Actual employee contributions totaled \$557,093 (8.42% of current covered payroll), actual City contributions were \$1,902,607 (28.9% of current covered payroll) plus state contributions deposited directly to the plan amounted to \$439,116. Accumulated excess contributions in the Accrued (Prepaid) Position Account were

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

available to assist in funding the City's contribution requirement for the year. Net pension obligation for each of these Plans is presented in the three-year trend information in this note.

e. Annual Pension Costs and Net Pension Obligation

The City's annual pension cost and net pension obligation to the three plans for the most recent actuarial report dated October 1, 2013, are as follows:

	<u>General</u>	<u>Police Officers</u>	<u>Firefighters</u>	<u>Totals</u>
Annual Required Pension Contribution	\$ 10,411,010	\$ 2,958,351	\$ 2,560,047	\$ 15,929,408
Interest on Net Pension Obligation	(480,429)	(35,055)	-	(515,484)
Actuarial Adjustment	775,442	54,820	14,823	845,085
Annual Pension Cost	10,706,023	2,978,116	2,574,870	16,259,009
(Actual Pension Contributions)	10,411,010	2,967,072	2,341,723	15,719,805
Increase (Decrease) in NPO	295,013	11,044	233,147	539,204
Net Pension Obligation(Asset)-Beginning	(6,005,362)	(438,191)	191,265	(6,252,288)
Net Pension (Asset)-Ending	<u>\$ (5,710,349)</u>	<u>\$ (427,147)</u>	<u>\$ 424,412</u>	<u>\$ (5,713,084)</u>

f. Actuarial Valuation Information

Actuarial information as of the latest valuation is as follows:

	<u>General</u>	<u>Police Officers</u>	<u>Firefighters</u>
Valuation Date	October 1, 2013	October 1, 2013	October 1, 2013
Actuarial Cost Method	Entry Age-Normal	Entry Age-Normal	Entry Age-Normal
Amortization Method	Level Percent of Pay-Closed	Level Percent of Pay-Closed	Level Percent of Pay-Closed
Remaining Amortization Period	26 Years **	26 Years **	20 Years
Asset Valuation Method	5-Year Smoothing	5-Year Smoothing	Expected Value
Actual Assumptions (All Plans):			
Net Investment Rate of Return	8.0%	8%	7.75%
Projected Salary Increases*	5.5%	4%-6%	0.0 - 3.25%
*Includes Inflation at	3.0%	3.0%	3.25%
Cost of Living Adjustments	3.0%	0.0%	0.0%

** As of 10/1/2011

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

g. Four-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
General Plan:			
9/30/10	6,683,254	94.14%	(6,523,793)
9/30/11	9,552,787	97.23%	(6,258,957)
9/30/12	10,280,724	97.53%	(6,005,362)
9/30/13	10,706,023	97.24%	(5,710,349)
Police Officers' Plan:			
9/30/10	2,238,883	99.00%	(479,392)
9/30/11	2,695,947	100.00%	(471,743)
9/30/12	2,922,799	99.00%	(438,191)
9/30/13	2,978,115	100.00%	(427,147)
Firefighters' Plan:			
9/30/10	1,795,369	86.00%	(23,676)
9/30/11	1,999,430	93.00%	96,450
9/30/12	2,111,966	96.00%	191,265
9/30/13	2,560,047	91.00%	424,412

h. Other Pension Plan Information

The funded status of each pension plan as of the most recent actuarial valuation date is as follows:

General Employees' Retirement System:

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Liability (AAL)	(4) Unfunded Actuarial Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/2013	\$98,090,021	\$ 204,067,795	\$ 105,977,774	48.07	\$ 16,480,277	643.06

Police Officers' Retirement System:

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Liability (AAL)	(4) Unfunded Actuarial Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/2013	\$50,545,160	\$ 73,891,366	\$ 23,346,206	68.40	\$ 8,269,526	282.32

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Firefighters' Retirement Plan:

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)	(3) Entry Age Normal Actuarial Accrued Liability (AAL)	(4) Unfunded Actuarial Liability (UAAL) (3)-(2)	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll	(7) UAAL as Percentage of Payroll (4)/(6)
10/01/2013	\$36,538,799	\$ 50,052,237	\$ 13,513,438	70.00	\$ 6,392,458	211.00

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

i. Combining Statements

Since the City does not issue separate financial reports for all of the pension plans, the combining statement of fiduciary net position and the combining statement of changes in fiduciary net position for the pension trust funds are being included in the notes to the financial statements as information for the users.

The following is the combining statement of plan net position for the pension trust funds at September 30, 2013:

	General Employees' Retirement System	Police Officers' Retirement System	Firefighters' Retirement Plan	Total
Assets				
Cash and cash equivalents	\$ 3,776,065	\$ 2,143,776	\$ 2,465,056	\$ 8,384,897
Receivables:				
Accrued interest receivable	34,429	102,663	44,803	181,895
Accounts receivable	16,210	-	-	16,210
Due from other governments	76,667	-	-	76,667
Total receivables	<u>127,306</u>	<u>102,663</u>	<u>44,803</u>	<u>274,772</u>
Investments, at fair value				
Fixed income	14,798,328	15,549,600	10,012,105	40,360,033
Mutual funds: equities	4,302,363	-	14,423,471	18,725,834
Mutual funds: real estate	7,568,906	-	3,592,811	11,161,717
Common stock	52,883,860	28,483,752	5,068,287	86,435,899
International equities	15,860,442	6,316,455	6,020,228	28,197,125
Real estate	-	1,075,540	-	1,075,540
Emerging markets	4,012,363	-	-	4,012,363
Hedge fund (mutual fund)	4,630,635	-	-	4,630,635
Total investments	<u>104,056,897</u>	<u>51,425,347</u>	<u>39,116,902</u>	<u>194,599,146</u>
Total Assets	<u>107,960,268</u>	<u>53,671,786</u>	<u>41,626,761</u>	<u>203,258,815</u>
Liabilities				
Accounts payable	73,366	89,315	27,858	190,539
DROP payable	5,654,117	3,788,856	1,818,501	11,261,474
Total liabilities	<u>5,727,483</u>	<u>3,878,171</u>	<u>1,846,359</u>	<u>11,452,013</u>
Net Assets				
Net assets reserved for employees' pension benefits	<u>\$ 102,232,785</u>	<u>\$ 49,793,615</u>	<u>\$ 39,780,402</u>	<u>\$ 191,806,802</u>

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

The following is the combining statement of changes in plan net position for the pension trust funds for the fiscal year ended September 30, 2013:

	General Employees' Retirement System	Police Officers' Retirement System	Firefighters' Retirement Plan	Total
Additions:				
Contributions:				
Employer	\$ 10,411,010	\$ 2,553,739	\$ 1,902,607	\$ 14,867,356
State	-	413,333	439,116	852,449
Employee	2,175,515	633,650	557,093	3,366,258
Total contributions	<u>12,586,525</u>	<u>3,600,722</u>	<u>2,898,816</u>	<u>19,086,063</u>
Investment income:				
Investment income (loss)	14,753,492	6,653,815	4,782,033	26,189,340
Less: Investment management fees	(511,905)	(243,163)	(84,662)	(839,730)
Net investment income (loss)	<u>14,241,587</u>	<u>6,410,652</u>	<u>4,697,371</u>	<u>25,349,610</u>
Total additions (reductions)	<u>26,828,112</u>	<u>10,011,374</u>	<u>7,596,187</u>	<u>44,435,673</u>
Deductions:				
Pension payments	11,537,412	4,122,073	2,372,112	18,031,597
Refunds to employees	275,352	147,252	20,015	442,619
Administration	184,864	63,770	52,616	301,250
Total deductions	<u>11,997,628</u>	<u>4,333,095</u>	<u>2,444,743</u>	<u>18,775,466</u>
Net Increase (Decrease)	14,830,484	5,678,279	5,151,444	25,660,207
Net Assets Reserved for Employees' Pension Benefits:				
Beginning of year	<u>87,402,301</u>	<u>44,115,336</u>	<u>34,628,958</u>	<u>166,146,595</u>
End of year	<u>\$ 102,232,785</u>	<u>\$ 49,793,615</u>	<u>\$ 39,780,402</u>	<u>\$ 191,806,802</u>

Change to General Employee Pension Plan

The City adopted the following pension change Ordinances in fiscal year 2013:

- Ordinance 2013-18 adopted on February 7, 2013 changed the definition of actuarial equivalence.
- Ordinance 2013-19 adopted on February 11, 2013 closed the DROP to new entrants.
- Ordinance 2013-48 adopted on August 6, 2013 implementing the following changes:

Eligibility:

1. The plan is closed to new employees hired on and after October 1, 2013. All employees falling into these dates shall participate in the City's defined contribution plan.
2. Members of the system who are employed and not participating in the DROP on September 30, 2013 and who, on that date have reached normal retirement eligibility or are within 5 years of the earliest applicable normal retirement date shall continue to accrue benefits under the system in accordance

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

with the provisions of the system in effect on September 29, 2013 for as long as they are employed by the City as a general employee.

3. Members who are retired, entered the DROP or terminated City employment with the right to a deferred vested benefit prior to October 1, 2012 shall be entitled to receive benefits from the system in accordance with the provisions of the system on the date they terminated employment or entered DROP.
4. Any Member who is employed and not participating in the DROP on September 30, 2013, in lieu of participating in the variable benefit and contribution program, may elect to participate in the City's defined contribution plan. The irrevocable election to participate must be made no later than September 27, 2013.
 - a. Members with less than 5 years of service who elect to participate in the defined contribution plan in lieu of participating in the variable benefit plan may elect to transfer the greater of the actuarial present value of the frozen accrued benefit or the accumulated contributions and upon such transfer shall be ineligible to receive any other benefit from the system.
 - b. The actuarial present value of accrued benefit is based on the frozen accrued benefit as of September 30, 2013 and using the same assumptions as the impact statement except utilizing male mortality. This calculation is described in the Ordinance.

Plan Freeze:

1. The accrued benefits of all members of the system who are employed and not participating in the DROP or are eligible for the grandfathering provision shall be frozen as of September 30, 2013.
2. The frozen benefit is based on the credited service and average final compensation as of the frozen date.
3. The frozen benefit shall be payable upon the earlier of the attainment of age 65 with 5 years of service or upon completion of 30 years of service. A member may instead elect to receive an early retirement benefit upon attainment of age 55 with 5 years of service or upon completion of 25 years of service. The early retirement benefit will be reduced 3% for each year the benefit begins before otherwise normal retirement date.

Variable Benefit and Contribution Program:

1. All members of the system who are employed and not participating in DROP and are not eligible to be grandfathered under the old plan and have not elected to participate in the defined contribution plan shall earn benefits on and after October 1, 2013 under this structure.
2. Average Final Compensation for benefits based on credited service on and after October 1, 2013 means one-twelfth of the average final salary of the 8 highest years of the last 10 years prior to termination.
3. Salary: Effective October 1, 2013 Salary means base wages and overtime payments up to 300 hours per calendar year, including all tax deferred, tax sheltered or tax exempt items of income derived from elective employee payroll deductions or salary reductions, but excluding management deferred compensation and all other compensation.
4. For benefits based on credited service earned on and after October 1, 2013 the minimum benefit shall be 1.0% and the maximum benefit shall be 2.55%.
5. The Normal Form is a Life Annuity.
6. Member Contribution Rate is a minimum of 3% and a maximum of 5%.
7. The multiplier and member contribution rate will be adjusted as necessary so that the Target Total Employer Contribution Percentage is with the mandated corridors.

Initial Benefits

1. For credited service on and after October 1, 2013 through March 31, 2014, the benefit multiplier shall be 1.6%, which shall be subject to readjustment if necessary retroactive to October 1, 2013.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

2. Effective October 1, 2013 the member contribution rate shall be 3% of salary which shall be adjusted in the future according to the ordinance.

Optional Fixed Benefit

1. In lieu of the variable benefit, a member may elect prior to retirement to receive a fixed benefit. This fixed multiplier shall be 0.4% plus two thirds of the multiplier in effect at retirement.
2. Other optional forms may be elected in connection with the fixed multiplier.

At September 30, 2013, there were 59 employees grandfathered into the defined benefit plan prior to any changes by these ordinances. There were 226 employees that moved to the deferred compensation plan and the remaining 276 employees moved into the variable rate defined benefit plan. Implementation did not occur until October 1, 2013. The Police and Fire pension reform will be addressed in fiscal year 2014.

4. Long-Term Obligations

Revenue bonds and other long-term liabilities directly related to and intended to be paid from Proprietary Funds (of the Primary Government) are included in the accounts of such funds. All other long-term indebtedness of the Primary Government is accounted for in the governmental activities column of the government-wide statement of net position. The City's outstanding long-term debt includes bonds payable, notes payable, claims payable and compensated absences payable.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

a. Long-term liability activity for the fiscal year ended September 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Revenue Bonds and Certificates					
2002 Optional Gas Tax Bond	\$ 2,720,000	\$ -	\$ (2,720,000)	\$ -	\$ -
2003 Capital improvement Certificates	10,215,000	-	(10,215,000)	-	-
2007A Capital improvement Certificates	15,870,000	-	-	15,870,000	-
2007B Capital improvement Certificates	3,740,000	-	(10,000)	3,730,000	10,000
2012 Refdgd Capital improvement Certif	8,405,000	-	-	8,405,000	755,000
2013 Capital improvement Certificates	-	7,700,000	-	7,700,000	-
Subtotal	40,950,000	7,700,000	(12,945,000)	35,705,000	765,000
Unamortized (Discount) Premium	312,986	-	(590,868)	(277,882)	-
Total Revenue Bonds and Certificates	41,262,986	7,700,000	(13,535,868)	35,427,118	765,000
Other liabilities:					
Capital Lease Contract Payable	3,150,982	334,930	(1,079,247)	2,406,665	1,110,469
Compensated Absences	5,264,044	4,340,526	(4,444,646)	5,159,924	2,722,569
OPEB Liability	1,694,204	246,215	-	1,940,419	-
Claims and Judgments	8,602,000	1,364,538	(2,624,128)	7,342,411	1,492,708
Total other liabilities	18,711,230	6,286,209	(8,148,021)	16,849,419	5,325,746
Total Governmental Activities	\$ 59,974,216	\$ 13,986,209	\$ (21,683,889)	\$ 52,276,537	\$ 6,090,746
Business-type Activities:					
Revenue Bonds					
2005A Utility Systems Bonds	\$ 24,085,000	\$ -	\$ (75,000)	\$ 24,010,000	\$ 80,000
2005B Utility Systems Bonds	29,435,000	-	(650,000)	28,785,000	670,000
2007A Utility Systems Bonds	64,025,000	-	-	64,025,000	-
2007B Utility Systems Bonds	22,960,000	-	(1,005,000)	21,955,000	1,045,000
2011 Utility Systems Bonds	13,875,000	-	(3,365,000)	10,510,000	3,450,000
Subtotal	154,380,000	-	(5,095,000)	149,285,000	5,245,000
Unamortized (Discount) Premium	4,066,045	-	(213,584)	3,852,461	-
Total Revenue Bonds and Certificates	158,446,045	-	(5,308,584)	153,137,461	5,245,000
Other liabilities:					
CR#3 decommissioning costs payable	9,723,119	523,761	-	10,246,880	-
Compensated Absences	2,813,906	1,910,199	(2,002,679)	2,721,426	1,766,517
OPEB Liability	846,057	112,050	-	958,107	-
Total other liabilities	13,383,082	2,546,010	(2,002,679)	13,926,413	1,766,517
Total Business-type Activities	\$ 171,829,127	\$ 2,546,010	\$ (7,311,263)	\$ 167,063,874	\$ 7,011,517

The compensated absences and OPEB payable from the governmental funds are typically liquidated in the General Fund.

Capital Leases - The City has two capital lease agreements, one with Motorola for radio equipment and the second with Republic First National Corporation for a cleaning truck. Both leases qualify as capital leases in Governmental activities for accounting purposes, and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. As of year-end, equipment leased under capital assets consisted of machinery and equipment in the governmental activities of \$3,485,912 with accumulated depreciation of \$ 881,406.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Fiscal Year Ending September 30	<u>Government Activities</u>
2014	1,136,711
2015	1,136,712
2016	59,398
2017	59,398
2018	<u>66,986</u>
Total Minimum Lease Payments	2,459,205
Less Amount Representing Interest	<u>(52,540)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 2,406,665</u></u>

b. Bonds Payable Collateral

The City has gas tax revenue bonds, capital improvement certificates, water and sewer revenue bonds and utility systems revenue bonds outstanding at year-end. Gas tax revenue bonds are collateralized by a pledge of the City's sixth cent optional gas tax; the capital improvement certificates are collateralized by a pledge of certain non-ad valorem revenues of the City; and the enterprise revenue bonds are collateralized by a pledge of the net revenues generated by the issuing fund or by a pledge of the net revenues of the combined utility systems.

c. Pledged Revenue

The City has pledged certain revenues, to repay certain bonds and notes outstanding as of September 30, 2013. Information related to the revenues, sometimes net of related operating expenses, pledged for each debt issue, the amounts of such revenues received in the current year, the current year principal and interest paid on the debt, the approximate percentage of each revenue which is pledged to meet the debt obligation, the date through which the revenue is pledged under the debt agreement, and the total pledged future revenues for each debt, which is the amount of the remaining principal and interest on the bonds and notes at September 30, 2013 has been incorporated into the schedules which show the debt service requirements to maturity for the City's bonded indebtedness for the City's governmental activities and for the City's business-type activities.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

The following is a schedule of bonds outstanding at September 30, 2013:

<u>Description Of Bonds</u>	<u>Purpose Of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>
Governmental Activities:				
2007A Capital Improvement Certificates	Capital Projects	15,870,000	15,870,000	4.25%-4.50%
2007B Capital Improvement Certificates	Refunding	4,290,000	3,730,000	4.00%-4.125%
2012 Refdg Capital Improvement Certif	Refunding	8,405,000	8,405,000	1.72%
2013 Refdg Capital Improvement Certif	Refunding	7,700,000	<u>7,700,000</u>	1.08%
Total Governmental Activities			<u>\$ 35,705,000</u>	
Business-Type Activities:				
2005A Utility Systems Bonds	Refunding	\$ 24,625,000	\$ 24,010,000	3.375%-5.25%
2005B Utility Systems Bonds	Capital Projects	33,355,000	28,785,000	3.375%-5.25%
2007A Utility Systems Bonds	Capital Projects	64,025,000	64,025,000	4.25%-5.00%
2007B Utility Systems Bonds	Refunding	23,925,000	21,955,000	4.00%-4.50%
2011 Utility Systems Bonds	Refunding	13,875,000	<u>10,510,000</u>	1.51%
Total Business-Type Activities			<u>\$ 149,285,000</u>	

The principal and interest payments during the fiscal year 2013 for governmental activities were \$5,280,000 and \$1,765,089, respectively. The principal and interest payments during the fiscal year 2013 for business-type activities were \$5,095,000 and \$6,880,763, respectively.

For the year ended September 30, 2013, capitalization of net interest costs was as follows:

	<u>Electric System</u>	<u>Water and Sewer System</u>	<u>Total</u>
Interest expense	\$ 66,315	\$ 35,365	\$ 101,680
Interest income	<u>(6,314)</u>	<u>(817)</u>	<u>(7,131)</u>
Increase in construction in progress	<u>\$ 60,001</u>	<u>\$ 34,548</u>	<u>\$ 94,549</u>

The following schedules show debt service requirements maturity for the City's bonded indebtedness for the City's governmental activities and for the City's business-type activities as well as pledged revenue information:

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

Fiscal Year	Governmental Activities	
	Capital Improvement Certificates	
	Principal	Interest
2014	\$ 765,000	\$ 1,186,032
2015	2,300,000	1,051,011
2016	2,340,000	1,020,543
2017	2,380,000	989,490
2018	2,405,000	957,917
2019-2023	9,645,000	4,156,853
2024-2028	7,085,000	2,770,022
2029-2033	8,785,000	1,022,963
Total	<u>\$ 35,705,000</u>	<u>\$ 13,154,831</u>

Pledged revenue description

Local government half-cent sales tax, franchise fees, business tax receipts, fines and forfeitures, communications services tax, guaranteed entitlement portion of state revenue sharing, mobile home licenses.

Fiscal year 2013 pledged revenues	\$ 8,167,557
Fiscal year 2013 principal and interest paid	\$ 7,045,089
Outstanding principal and interest	\$ 48,859,831
Pledged through fiscal year	2033
Estimated percentage pledged	29.91%

Fiscal Year	Business-Type Activities	
	Utility Systems Revenue Bonds	
	Principal	Interest
2014	\$ 5,245,000	\$ 6,710,568
2015	5,360,000	6,615,787
2016	5,485,000	6,515,641
2017	5,220,000	6,316,481
2018	5,490,000	6,041,939
2019-2023	31,830,000	25,769,984
2024-2028	40,085,000	17,349,224
2029-2033	50,570,000	6,538,765
Total	<u>\$ 149,285,000</u>	<u>\$ 81,858,389</u>

Pledged revenue description

Net revenues of the combined Electric Revenue System and the Water and Sewer System (as defined in bond resolutions)

Fiscal year 2013 pledged revenues	\$ 24,809,199
Fiscal year 2013 principal and interest paid	\$ 11,975,763
Outstanding principal and interest	\$ 231,143,389
Pledged through fiscal year	2033
Estimated percentage pledged	46.58%

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

d. Conduit Debt

In January, 1994, \$3,500,000 Student Housing Revenue Bonds were issued. The proceeds of the bonds are being used by the Central Florida College Foundation to acquire real property and to construct student housing facilities. The bonds, which mature in 2014, do not represent debt or an obligation of the City and are collateralized solely from the gross revenues of the completed project. The completed project and all revenues derived therefrom, subsequent to the payment of all debt service requirements, belong exclusively to the Foundation. The outstanding balance at September 30, 2013 is \$160,000.

e. Bond Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the U.S. Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates or pay a calculated penalty. Rebates are paid to the Internal Revenue Service every fifth year after the year of issuance. Within the five-year period, any positive arbitrage (liability) can be offset by any negative arbitrage (non-liability). At September 30, 2013, the City had no arbitrage rebate liability.

f. Refunding Issued by the City

On August 9, 2013 the City issued \$7,700,000 Refunding Capital Improvement Bonds, Series 2013. Proceeds were used to current refund the 2003 Capital Improvement Certificates.

<u>Bond Series</u>	<u>True Interest Cost</u>	<u>Average Coupon Rate</u>	<u>Maturity Date</u>	<u>Net Proceeds</u>	<u>Cost of Issuance</u>
2013	1.0798%	1.08%	10/1/2018	\$ 7,700,000	\$ 34,720

g. Economic Reasoning for Refunding Bonds

Refunding provides for an irrevocable deposit with an escrow agent (a third party banking institution) of sufficient funds to pay the principal and interest when due, on the refunded bonds to the earliest call date.

On the earliest call date, all bonds outstanding are redeemed, and interest subsequent to the refunding date will cease. Bonds are typically refunded for either economic gain to the governmental unit or enterprise or to eliminate restrictive and antiquated covenants.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

The economic rationale to initiate the current year current refunding is shown in the following schedule:

2012-2013 Bond Refunding Economic Reasoning	
	Capital Improvement Refunding Bonds, Series 2003
Bond Size	
Old Bonds (Outstanding)	\$ 8,970,000
New Bonds (Series 2011)	\$ 7,700,000
Average Annual Savings	\$ 189,715
Net Present Value Savings	\$ 948,573
% Savings of refunding bonds	12.319%
Future Value Savings	\$ 980,867

h. Current Refunded Bonds

The following schedule reflects the current refunded bonds as of September 30, 2013:

Type	Series	Date Refunded	Final Payment/ Call Date	Outstanding as of Refunding	Outstanding as of 9/30/2013
Capital Improvement	2003	8/9/2013	10/1/2013	\$ 8,970,000	\$ -

i. Prior Year Defeasance of Debt

The City had defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2013, there was \$9,210,253 in escrow for bonds and interest outstanding that were considered defeased. These bonds were paid on call date of October 1, 2013.

j. Disclosure of Legal Debt Margin

The City has no legal debt margin requirements set forth by State Statute however; the City's charter limits the aggregate amount of general obligation bonds outstanding to twenty percent (20%) of the assessed valuation of the taxable real and personal property in the City. At September 30, 2013, there was no general obligation debt outstanding.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

k. Synopsis of Revenue Bond Covenants, Revenue Bonds Debt Service and Transfer Requirements

Provisions of revenue bonds require monthly sinking fund contributions for debt service of one-twelfth and one-sixth of the next maturing principal and interest payment, respectively.

5. Fund Deficits

At September 30, 2013 there were no funds with deficits in total net positions.

6. Commitments and Contingent Liabilities

Grants - The City receives significant financial assistance from federal agencies primarily in the form of capital grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Disallowed claims, if any, resulting from such audits may become liabilities of the City. However, in the opinion of management, disallowed claims, if any, will not have a material effect on the City's financial statements.

Litigation - Various suits and claims arising in the ordinary course of City operations are pending against the City of Ocala. While the ultimate effect of such litigation cannot be ascertained at this time, the City does not expect any of these routine items to have a material impact on the financial condition of the City.

Fire Services Fee - The biggest threat at the present time is the lawsuit related to Fire Services Fee. In January 2014, Discount Sleep of Ocala LLC d/b/a Mattress Barn and Dale W. Birch filed a lawsuit alleging that the City is illegally charging fire user fees in violation of the state Constitution (Case No: 2014-0426-CA-G). The suit seeks to invalidate a fire user fee established in Section 30, Ocala Code of Ordinances that charges property owners to subsidize fire services. The City receives approximately \$7.5 million annually, and the plaintiffs are seeking \$49 million plus interest, an amount representing the amount charged since the fee's inception on January 1, 2007. In order to obtain that result, the trial court would first have to certify this suit as a class-action suit. The outcome is unknown as the City is preparing the initial response, which is due by March 30, 2014.

Other Commitments – The City has outstanding commitments on various contracts for construction and other projects. These commitments, as of September 30, 2013, in the respective funds are as follows:

General Fund	\$ 910,089
Internal Service Funds	207,145
Electric System Revenue Fund	1,592,045
Water and Sewer Fund	2,543,392
Suntran	57,290
Total	<u>\$ 5,309,961</u>

FMPA All-Requirements Power Supply Project (ARP): The City purchases power exclusively from Florida Municipal Power Agency (FMPA) through the State-wide bulk power system. The City has an All-Requirements Power Supply Project Contract (effective 10/1/2002) with FMPA which requires FMPA to sell and deliver to the City and the City to purchase from FMPA all electric power that the City requires in excess of the amount the City receives from its percentage ownership interest in Duke Energy's Crystal River 3 nuclear power plant. The

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

contract shall remain in effect until October 1, 2025, and is subject to automatic five-year extensions each fifth anniversary unless either party notifies the other in writing at least two years prior to such automatic extension date of its decision not to extend the contract. The City pays for electric power under the contract at the rates set forth in the applicable rate schedule of FMPA, which FMPA may revise from time to time. The contract provides the option for the City to leave the FMPA after notice and making the remaining project participants whole. This is generally understood to mean paying off its portion of the project's long-term debt.

Power Supply Entitlements: The following is an excluded resource under the ARP agreement.

Crystal River Unit No. 3 (CR3): The City entered into a Participation Agreement in 1977 with Florida Power Corporation (FPC), which became Progress Energy, to purchase a 1.333% undivided ownership interest, approximately 11 MW in Progress Energy's 860-MW nuclear powered electric generating plant. During July 2012, Progress Energy merged with and became a wholly owned subsidiary of Duke Energy.

The City is billed for its share of operating and capital costs. Operating costs are included as fuel and power supply-other expenses and capital costs are included in Property, Plant and Equipment. The City does not exercise significant influence or control over the operating or financial policies of Duke Energy.

The Nuclear Regulatory Commission (NRC) requires utilities owning nuclear powered electric generating plants to provide financial assurance that funds would be sufficient and available when needed to pay the future decommissioning costs. In accordance with the NRC requirements, the City established a decommissioning trust fund. The City's carrying balance in this decommissioning trust fund at September 30, 2013 including interest earnings was approximately \$10,246,880.

On July 12, 1990, the City and the FMPA entered into an agreement whereby the FMPA would act as agent for the City and certain other Crystal River 3 (CR3) participants to coordinate the administration of the decommissioning trust funds. Contributions to this trust fund are not available to the City for any other purpose except the decommissioning of CR3. Contributions were based on independent studies, which took in to account the anticipated future decommissioning costs and anticipated investment returns. Future contributions will be made to this trust account as needed based on updated cost estimates and trust fund earnings.

In September 2009, Crystal River Unit 3 began an outage for normal refueling and maintenance as well as an uprate project to increase its generating capability and to replace two steam generators. During preparations to replace the steam generators, workers discovered a delamination (or separation) within the concrete at the periphery of the containment building, which resulted in an extension of the outage, which has continued to date. After reviewing all options to repair the unit, on February 5, 2013, Duke Energy announced its intention to retire the Crystal River 3 ("CR3") nuclear power plant. Duke expects that the FPSC will review the retirement decision as part of "Phase 2" of the CR3 delamination regulatory docket. Duke is currently developing a decommissioning plan, which will evaluate various decommissioning options and the costs associated with each option. Duke intends to implement a SAFSTOR ("SAFe STORAge") decommissioning plan assumed to be executed over an extended period (i.e., 40 to 60 years). Duke expects that the current decommissioning fund balances are sufficient to decommission the plant (including future investment growth of the funds).

During 2013, Duke provided the City with insurance proceeds of \$2,698,599 from Duke's settlement with its insurance provider. The City has determined that these insurance proceeds were settlement for damages related to the plant. As a result, the City has written off its remaining net investment in the plant of \$2,080,466 and reported a gain of \$618,133 as of September 30, 2013.

The City has designated the Florida Municipal Power Agency (FMPA) as its agent in negotiations with Duke Energy, and FMPA is negotiating on various matters including: the sufficiency of the City's decommissioning account balance, the costs of replacement power that the City believes it is entitled to (to replace the anticipated power that would have been received over 20-years if the unit had been retired), and a return on the City's capital investment. The City expects that these negotiations will be concluded during the City's 2014 fiscal year and has indicated that the City may receive additional settlement proceeds.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

7. Other Postemployment Benefits (OPEB)

Postemployment benefits extended to retirees include the continued coverage for the retiree and dependent in the City's health insurance plan, dental plan, vision plan and life insurance plan. A portion of the health insurance benefits for family coverage is currently being subsidized by the City, but the subsidy is being phased out over a period of time. No other form of direct subsidy is offered to retirees accepting medical coverage. There are currently 242 retirees participating in the plan. Premiums for insurances other than health insurance are fully paid by the retiree.

a. Plan Description

The Other postemployment Benefit Plan is a single-employer benefit plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected. However, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. Since the older retirees actually have higher costs which means that the city is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of that premium on behalf of the active employees. Accounting standards calls this the "implicit rate subsidy". This subsidy is only available until the retiree becomes Medicare eligible.

Retirees and their dependents are permitted to remain covered under the City's respective medical and insurance plans as long as they pay a full premium applicable to coverage elected, subject to direct subsidies discussed above. The postemployment benefits are extended to retirees and continued at the discretion of the City, which reserves the right (subject to State Statute and any collective bargaining agreements) to change or terminate benefits, and to change contributions required from retirees in the future as circumstances change. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other postemployment Benefit Plan does not issue a stand-alone report.

b. Funding Policy

The contribution requirements of the plan members and the City are established and may be amended by the City Council. Because "funding" the OPEB obligations would involve using an irrevocable trust fund, the City did not "fund" the net OPEB obligation. Contributions are being made based on a pay-as-you-go financing requirement. Each fund was assessed its share of OPEB costs based on the number of employees in the fund divided by the total number of City employees.

c. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The Unfunded Actuarial Accrued Liability represents an actuarial measurement of the obligation that has accrued so far based on the promise that has been made to current retirees and to current employees. Since the City's OPEB is currently unfunded, the offset to that expense comes from actual subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution and equals the total age-adjusted costs paid by the City for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year).

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

The following table shows the components of the City's net OPEB obligation to the Other Postemployment Benefit Plan:

Annual required contribution (ARC)	\$ 915,551
Interest on net OPEB obligation	101,610
Adjustment to ARC	<u>(103,623)</u>
Annual OPEB cost (expense)	913,538
Contributions made	<u>(728,285)</u>
Increase in net OPEB obligation	358,265
Net OPEB obligation - beginning of year	<u>2,540,261</u>
Net OPEB obligation - end of year	<u>\$ 2,898,526</u>

d. Schedule of Funding Progress

Actuarial Valuation Date	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)	[b] - [a] Unfunded AAL (1) (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
10/1/2012 ⁽¹⁾	\$ -	\$14,046,180	\$ 14,046,180	0.00%	\$37,381,463	37.58%
10/1/2010 ⁽²⁾	-	18,164,196	18,164,196	0.00%	41,400,677	43.87%
10/1/2008	-	16,160,200	16,160,200	0.00%	41,784,952	38.67%

⁽¹⁾ Valuation reflects Voluntary Separation Incentive Program (VSIP) provisions.

⁽²⁾ Updated valuation to reflect the Voluntary Separation Incentive Program (VSIP).

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

e. Trend Information:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percent Contributed	Net OPEB Obligation
9/30/2011	\$ 1,279,738	\$ 744,321	58.16%	\$ 1,931,896
9/30/2012	1,371,899	763,534	55.66%	2,540,261
9/30/2013	913,538	728,285	79.72%	2,898,526

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

f. Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The amortization periods are open. The actuarial methods and assumptions used are designed to reduce short term volatility in actuarial value of assets, consistent with the long term perspective of the calculations.

Actuarial valuations involve estimates of the values of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial methods are:

Actuarial Valuation Date	October 1, 2012
Actuarial cost method	Entry Age Normal Cost
Amortization method	Level Percentage of Payroll
Amortization period	25 years - Closed
Asset valuation method	Unfunded
Investment rate of return	4.0%
Projected annual salaries increase	6%
Inflation rate	4.0%
Mortality	RP-2000 and Projection Scale AA on a generational basis for males and females
Healthcare cost trend	9% initial trend rate dropping to 5% ultimate trend rate after 10 Years

C. CHANGES IN ACCOUNTING STANDARDS

1. Adoption of New Accounting Standards

During the fiscal year ending September 30, 2013, the City adopted the following new accounting standards:

- Government Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This standard establishes guidance for accounting and financial reporting for service concession arrangements (SCAs). These arrangements are often referred to as public-private partnerships or public-public partnerships. Implementation of GASB 60 did not have any financial reporting impact on the City for fiscal year, as the City has no SCAs.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*. This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation and certain disclosure requirements).
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This standard codifies all sources of generally accepted accounting principles for entities that follow governmental standards in one place. Implementation of GASB 62 did not have any financial reporting impact on the City for fiscal year ended September 30, 2013.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirements of this statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statements elements by providing guidance where none previously existed. Implementation of GASB 63 required the reclassification of Net Assets to Net Position and it also required reclassification of deferred outflows and deferred inflows into new categories called Deferred Outflows of Resources and Deferred Inflows of Resources.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These standards establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures, effectively reclassifying certain assets as deferred inflows of resources and certain liabilities as deferred outflows of resources on the statement of net position. Implementation of GASB 65 resulted in the City restating prior year net position. (See note on Restatement of Prior Year Net Position)
- GASB Statement No. 66, *Technical Corrections-2012; an amendment of GASB Statements No. 10 and No. 62*. This statement is to improve accounting and financial reporting by state and local governmental entities resolving conflicting guidance that resulted from the issuance of GASB Statement No. 54 and GASB Statement No. 62.

2. Future Adoption of New Accounting Standards

The City anticipates adopting the following new accounting standards within the next two fiscal years:

- GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27* and GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27* are effective for the City's 2015 fiscal year ending September 30, 2015. In addition to improving the disclosures regarding pension plans in the notes to the financial statements, GASB 68 will require the City to retroactively record the Unfunded Actuarial Liability (UAL) as a Net Pension Liability on its Statement of Net Position, which will have the effect of decreasing the City's Net Position. As described in Note B- 3f in the notes to the financial statements, the Unfunded Actuarial Accrued Liability is \$105,977,774 for General Employee's, \$23,346,206 for Police and \$13,513,438 for Firefighters as of September 30, 2013

3. Restatement of Prior Year Net Position

Implementation of GASB 65 recognizes cost of issuance of bonds as an expense, therefore the adoption of this statement resulted in an increase to the cost of issuance expense and a decrease to the unamortized bond issuance costs for fiscal year ended September 30, 2012.

As a result of implementing GASB 65, revenues previously recorded as deferred revenue in governmental funds until both measurable and available are reported as deferred inflows of resources until such time the revenue becomes available and debt refunding amounts previously recorded in enterprise funds as contra-liability are reported as deferred outflows of resources until fully amortized over the life of the debt.

**CITY OF OCALA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

The prior year restatement for fiscal year ended September 30, 2012 is as follows:

	Governmental	Business-Type Activities	
	Activities	Electric	Water/Sewer
Prior Year Net Position	\$ 221,274,394	\$ 113,022,268	\$ 171,563,597
Issuance costs written off to expense	(236,287)	(442,743)	(678,359)
Restated Prior Year Net Position	<u>\$ 221,038,107</u>	<u>\$ 112,579,525</u>	<u>\$ 170,885,238</u>

REQUIRED SUPPLEMENTARY
INFORMATION

**CITY OF OCALA, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property tax	\$ 20,863,469	\$ 20,863,469	\$ 21,052,454	\$ 188,985
Utility service tax	7,700,000	7,700,000	8,599,445	899,445
Communication service tax	3,252,889	3,252,889	3,284,777	31,888
Other tax	943,000	943,000	944,808	1,808
State shared revenues	4,696,292	4,696,292	4,840,855	144,563
Other intergovernmental revenues	1,078,463	7,287,556	3,572,109	(3,715,447)
Permits and fees	1,980,750	1,980,750	1,961,915	(18,835)
Fines and forfeitures	393,300	393,300	525,780	132,480
Charges for services	13,326,385	12,965,137	14,056,398	1,091,261
Investment income	754,549	754,549	40,279	(714,270)
Gifts	145,100	168,034	70,747	(97,287)
Miscellaneous	560,729	986,556	748,398	(238,158)
Total revenues	<u>55,694,926</u>	<u>61,991,532</u>	<u>59,697,965</u>	<u>(2,293,567)</u>
Expenditures				
Current:				
General government	23,093,301	28,873,173	17,085,937	11,787,236
Public safety	36,302,181	37,168,989	36,209,453	959,536
Transportation	3,437,699	5,036,824	2,951,703	2,085,121
Economic environment	1,487,223	2,316,602	1,131,086	1,185,516
Human services	-	67,783	18,507	49,276
Culture and recreation	5,059,623	5,193,194	4,757,014	436,180
Capital outlay	4,992,180	10,889,503	2,647,556	8,241,947
Total expenditures	<u>74,372,207</u>	<u>89,546,068</u>	<u>64,801,256</u>	<u>24,744,812</u>
Excess (deficiency) of revenues over expenditures	<u>(18,677,281)</u>	<u>(27,554,536)</u>	<u>(5,103,291)</u>	<u>22,451,245</u>
Other Financing Sources (Uses)				
Transfers in	10,837,537	10,837,537	10,896,235	58,698
Transfers out	(3,283,050)	(3,174,595)	(3,241,988)	(67,393)
Total other financing sources (uses)	<u>7,554,487</u>	<u>7,662,942</u>	<u>7,654,247</u>	<u>(8,695)</u>
Net change in fund balance	(11,122,794)	(19,891,594)	2,550,956	22,442,550
Fund balance - beginning	<u>38,923,518</u>	<u>38,923,518</u>	<u>38,923,518</u>	<u>-</u>
Fund balance - ending	<u>\$ 27,800,724</u>	<u>\$ 19,031,924</u>	<u>\$ 41,474,474</u>	<u>\$ 22,442,550</u>

**CITY OF OCALA, FLORIDA
CRA FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	(GAAP Basis)			(Negative)
	Original	Final		
Revenues				
Property taxes	\$ 193,727	\$ 193,727	\$ 191,850	\$ (1,877)
Investment income	35,000	35,000	2,798	(32,202)
Total revenues	<u>228,727</u>	<u>228,727</u>	<u>194,648</u>	<u>(34,079)</u>
Expenditures				
Current:				
General government	249,255	287,933	240,749	47,184
Capital outlay	-	199,943	92,102	107,841
Total expenditures	<u>249,255</u>	<u>487,876</u>	<u>332,851</u>	<u>155,025</u>
Excess (deficiency) of revenues over expenditures	<u>(20,528)</u>	<u>(259,149)</u>	<u>(138,203)</u>	<u>120,946</u>
Other Financing Sources (Uses)				
Transfers in	310,276	310,276	307,270	(3,006)
Total other financing sources (uses)	<u>310,276</u>	<u>310,276</u>	<u>307,270</u>	<u>(3,006)</u>
Net change in fund balance	289,748	51,127	169,067	117,940
Fund balance - beginning	<u>3,685,413</u>	<u>3,685,413</u>	<u>3,685,413</u>	<u>-</u>
Fund balance - ending	<u>\$3,975,161</u>	<u>\$3,736,540</u>	<u>\$ 3,854,480</u>	<u>\$ 117,940</u>

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS
SEPTEMBER 30, 2013**

SCHEDULE OF FUNDING PROGRESS (1)

General Plan:

Fiscal Year Ended 9/30	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)*	[b] - [a] Unfunded AAL (1) (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	[(b)-[a)]/[c] UAAL as a Percentage of Covered Payroll
2013	\$98,090,021	\$204,067,795	\$105,977,774	48.07%	\$16,480,277	643.06%
2012	89,418,349	193,785,518	104,367,169	46.14%	27,343,524	381.69%
2011	81,479,454	174,172,015	92,692,561	46.78%	28,551,898	324.65%
2010	78,822,879	163,287,975	84,465,096	48.27%	28,187,278	299.66%
2009	70,490,375	155,927,480	85,437,105	45.21%	29,513,234	289.49%
2008	80,419,973	144,739,017	64,319,044	55.56%	31,347,437	205.18%
2007	69,472,693	108,825,377	39,352,684	63.84%	30,588,569	128.65%
2006	61,718,687	101,457,732	39,739,045	60.83%	29,319,149	135.54%
2005	56,309,688	95,784,179	39,474,491	58.79%	29,361,461	134.44%

(1) The UAAL is not diminished by the Funding Standard Account Credit Balance. Instead, the Actuarial Value of Assets is reduced by the Credit Balance and further adjusted for the Administrative Expense Account.

Police Officers' Plan:

Fiscal Year Ended 9/30	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)*	[b] - [a] Unfunded AAL (1) (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	[(b)-[a)]/[c] UAAL as a Percentage of Covered Payroll
2013	\$ 50,545,160	\$ 73,891,366	\$ 23,346,206	68.40%	\$ 8,269,526	282.32%
2012	46,567,206	70,808,298	24,241,092	65.77%	8,558,207	283.25%
2011	43,766,063	66,426,400	22,660,337	65.89%	8,489,320	266.93%
2010	43,555,290	64,578,493	21,023,203	67.45%	8,191,982	256.63%
2009	41,964,844	61,496,292	19,531,448	68.24%	8,024,059	243.41%
2008	42,305,347	58,618,208	16,312,861	72.17%	8,198,176	198.98%
2007	41,782,661	55,343,645	13,560,984	75.50%	7,993,687	169.65%
2006	38,128,985	50,121,660	11,992,675	76.07%	7,687,278	156.01%
2005	35,831,611	46,959,093	11,127,482	76.30%	7,631,572	145.81%

(1) The UAAL is not diminished by the Funding Standard Account Credit Balance. Instead, the Actuarial Value of Assets is reduced by the Credit Balance and further adjusted for the Administrative Expense Account.

(Continued)

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS
SEPTEMBER 30, 2013**

SCHEDULE OF FUNDING PROGRESS - CONTINUED (1)

Firefighters' Plan:

Fiscal Year Ended 9/30	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)	[b] - [a] Unfunded AAL (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
2013	\$ 36,538,799	\$ 50,052,237	\$ 13,513,438	73.00%	\$ 6,392,458	211.40%
2012	33,413,783	47,877,470	14,463,687	69.79%	6,961,657	207.76%
2011	31,045,811	46,906,422	15,860,611	66.19%	7,204,930	220.14%
2010	29,401,977	42,581,331	13,179,354	69.05%	6,872,487	191.77%
2009	27,621,397	39,919,029	12,297,632	69.19%	7,166,031	171.61%
2008	27,253,578	37,573,342	10,319,764	72.53%	7,134,279	144.65%
2007	26,910,188	33,034,201	6,124,013	81.46%	6,100,211	100.39%
2006	24,482,685	31,050,644	6,567,959	78.85%	5,744,369	114.34%
2005	22,580,117	29,134,148	6,554,031	77.50%	5,515,009	118.84%

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS
SEPTEMBER 30, 2013**

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES - CONTINUED**

General Plan:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution (City)</u>	<u>Percentage Contributed</u>
2013	\$ 10,411,010	\$ 10,411,010	100.00%
2012	10,018,065	10,027,129 (1)	100.09%
2011	9,287,951	9,287,951 (1)	100.00%
2010	6,291,791	6,291,791 (1)	100.00%
2009	5,623,172	5,623,172 (1)	100.00%
2008	5,213,030	12,133,628 (2)	232.76%
2007	4,740,189	4,797,696	101.21%
2006	4,417,397	4,631,250	104.84%
2005	3,945,468	3,945,468 (3)	100.00%

- (1) Includes contribution from the Funding Standard Account Credit Balance.
(2) Includes contribution from the Funding Standard Account Credit Balance, in addition to a lump sum deposit of \$7,172,050 for the 2008 Early Retirement Incentive Program.
(3) Includes \$46,544 from the Funding Standard Account Credit Balance.

Police Officers' Plan:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution (City) (1)</u>	<u>Annual Required Contribution (State) (2)</u>	<u>Total Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 2,958,351	\$ 2,553,739	\$ 413,333	\$ 2,967,072	100.29%
2012	2,924,100	2,476,952	412,295	2,889,247	98.81%
2011	2,669,252	2,240,013	429,239	2,669,252	100.00%
2010	2,212,672	1,764,387	448,285	2,212,672	100.00%
2009	1,833,325	1,318,836	514,489	1,833,325	100.00%
2008	1,738,806	1,254,445	544,393	1,798,838	103.45%
2007	1,615,300	1,196,134	544,393	1,740,527	107.75%
2006	1,436,938	1,220,125	569,421	1,789,546	124.54%
2005	1,505,173	1,066,687	438,786	1,505,473	100.00%

- (1) These City contributions include funds that were drawn from the contributions surplus account.
(2) Excess state annual required contributions are accumulated in the contributions surplus account which is drawn upon if actual state contributions fall below the annual required contribution.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR PENSION TRUST FUNDS
SEPTEMBER 30,2013**

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES - CONTINUED**

Firefighters' Plan:

Fiscal Year	Annual Required Contribution	Actual Contribution (City) (1)	Annual Required Contribution (State) (2)	Total Contribution	Percentage Contributed
2013	\$ 2,560,047	\$ 1,902,607	\$ 439,116	\$ 2,341,723	91%
2012	2,111,966	1,784,225	240,401	2,024,626	96%
2011	1,999,430	1,623,273	240,401	1,863,674	93%
2010	1,795,369	1,305,206	240,401	1,545,607	86%
2009	1,293,087	1,143,257	240,401	1,383,658	107%
2008	1,258,041	1,132,167	259,377	1,391,544	111%
2007	1,243,765	1,011,289	259,377	1,270,666	102%
2006	1,200,311	940,934	259,377	1,200,311	100%
2005	1,603,809	1,344,432	259,377	1,603,809	100%

- (1) These City contributions include funds that were drawn from the contributions surplus account.
- (2) Excess state annual required contributions are accumulated in the contributions surplus account which is drawn upon if actual state contributions fall below the annual required contribution.

**CITY OF OCALA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL TREND INFORMATION FOR OPEB
SEPTEMBER 30, 2013**

Other Postemployment Benefits

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	[a] Actuarial Value of Assets	[b] Actuarial Accrued Liability (AAL)	[b] - [a] Unfunded AAL (1) (UAAL)	[a] / [b] Funded Ratio	[c] Covered Payroll	([b]-[a])/[c] UAAL as a Percentage of Covered Payroll
10/1/2012 ⁽¹⁾	\$ -	\$ 14,046,180	\$ 14,046,180	0.00%	\$37,381,463	37.58%
10/1/2010 ⁽²⁾	-	18,164,196	18,164,196	0.00%	41,400,677	43.87%
10/1/2008	-	16,160,200	16,160,200	0.00%	41,784,952	38.67%

⁽¹⁾ Valuation reflects Voluntary Separation Incentive Program (VSIP) provisions.

⁽²⁾ Updated valuation to reflect the Voluntary Separation Incentive Program (VSIP).

**SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

Fiscal Year	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Contribution
2013	\$ 913,538	\$ 728,285	79.72%	\$ 2,898,526
2012	1,371,899	763,534	55.66%	2,540,261
2011	1,279,738	744,321	58.16%	1,931,896

SUPPLEMENTAL INFORMATION

**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

SPECIAL REVENUE FUNDS:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditure for specific purposes. Special revenue funds used by the City are:

Downtown Development Fund - This fund accounts for property taxes levied against downtown property owners.

Local Gasoline Tax Fund - This fund accounts for street related maintenance and improvement projects financed by the City's share of local gasoline taxes. These taxes are required by law to be used to maintain streets.

Stormwater Utility Fund - This fund accounts for resources collected that are to be used for additions to, improvements to and maintenance of the storm drainage system.

SHIP Local Housing Assistance Fund - This fund accounts for the receipt and uses of funds received from the Florida "local housing assistance trust fund" for the State Housing Initiative Partnership (low income housing).

DEBT SERVICE FUNDS:

Debt service funds are used to account for the accumulation of resources for the payment of principal, interest and related costs of the City's general long-term debt. Debt service funds used by the City are:

2003 Improvement Certificates Fund - This fund is used for the payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2003.

2007A Improvement Certificates Fund - This fund is used for the payment of principal, interest and related costs of the Capital Improvement Revenue Certificates, Series 2007A.

2007B Improvement Certificates Fund - This fund is used for the payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2007B.

2012 Improvement Certificates Fund - This fund is used for payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2012.

2013 Improvement Certificates Fund - This fund is used for payment of principal, interest and related costs of the Capital Improvement Refunding Revenue Certificates, Series 2013.

2002 Optional Gas Tax Bonds Fund - This fund is used for the payment of principal, interest and related costs of the Optional Gas Tax Refunding and Improvement Revenue Bonds, Series 2002.

**CITY OF OCALA, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2012**

CAPITAL PROJECTS FUNDS:

The Capital Projects Funds are used to account for resources earmarked for the acquisition and construction of major capital facilities and other project oriented activities other than those financed by proprietary funds. Capital project funds used by the City are:

2002 Capital Improvement Fund - This fund is used to account for the resources earmarked for the acquisition and construction of certain capital improvements funded by the Capital Improvement Revenue Certificates, Series 2002.

2007A Capital Improvement Fund - This fund is used to account for the resources earmarked for the acquisition and construction of certain capital improvements funded by the Capital Improvement Revenue Certificates, Series 2007A.

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Equity in pooled cash fund	\$ 13,295,923	\$ 1,263,174	\$ 2,830,738	\$ 17,389,835
Accounts and notes receivables	358,310	-	-	358,310
Accrued interest receivable	28,770	-	7,474	36,244
Due from other funds	209,889	-	-	209,889
Due from other governments	1,047,902	-	-	1,047,902
Total assets	<u>14,940,794</u>	<u>1,263,174</u>	<u>2,838,212</u>	<u>19,042,180</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable and accrued liabilities	575,860	-	143,831	719,691
Retainage on contracts	11,403	-	11,355	22,758
Escrow/Deposits	1,008,065	-	-	1,008,065
Total liabilities	<u>1,595,328</u>	<u>-</u>	<u>155,186</u>	<u>1,750,514</u>
Fund Balances:				
Restricted	7,520,404	1,263,174	2,683,026	11,466,604
Committed	5,825,062	-	-	5,825,062
Total fund balances	<u>13,345,466</u>	<u>1,263,174</u>	<u>2,683,026</u>	<u>17,291,666</u>
Total liabilities and fund balances	<u>\$ 14,940,794</u>	<u>\$ 1,263,174</u>	<u>\$ 2,838,212</u>	<u>\$ 19,042,180</u>

**CITY OF OCALA, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property tax	\$ 61,669	\$ -	\$ -	\$ 61,669
Local option gas tax	4,742,861	-	-	4,742,861
Intergovernmental revenues	1,149,453	-	-	1,149,453
Charges for services	4,665,570	-	-	4,665,570
Investment income	11,181	410	(39,574)	(27,983)
Miscellaneous	158,635	-	10,680	169,315
Total revenues	<u>10,789,369</u>	<u>410</u>	<u>(28,894)</u>	<u>10,760,885</u>
Expenditures				
Current:				
General government	46,467	34,720	102,389	183,576
Physical environment	2,959,543	-	-	2,959,543
Transportation	2,949,474	-	-	2,949,474
Economic environment	41,372	-	-	41,372
Culture and recreation	-	-	34,815	34,815
Capital outlay	1,917,374	-	841,488	2,758,862
Debt service:				
Principal payments	-	5,280,000	-	5,280,000
Interest and fees	-	1,768,039	-	1,768,039
Total expenditures	<u>7,914,230</u>	<u>7,082,759</u>	<u>978,692</u>	<u>15,975,681</u>
Excess (deficiency) of revenues over expenditures	<u>2,875,139</u>	<u>(7,082,349)</u>	<u>(1,007,586)</u>	<u>(5,214,796)</u>
Other financing sources (uses)				
Transfers in	1,569	4,597,851	-	4,599,420
Transfers out	(1,240,616)	(88,312)	-	(1,328,928)
Refunding bonds issued	-	7,700,000	-	7,700,000
Payment to refunding bond escrow agent	-	(7,665,000)	-	(7,665,000)
Total other financing sources (uses)	<u>(1,239,047)</u>	<u>4,544,539</u>	<u>-</u>	<u>3,305,492</u>
Net change in fund balances	1,636,092	(2,537,810)	(1,007,586)	(1,909,304)
Fund balances - beginning	11,709,374	3,800,984	3,690,612	19,200,970
Fund balances - ending	<u>\$ 13,345,466</u>	<u>\$ 1,263,174</u>	<u>\$ 2,683,026</u>	<u>\$ 17,291,666</u>

**CITY OF OCALA, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2013**

	Downtown Development	Local Gasoline Tax
Assets		
Equity in pooled cash and investment fund	\$ 253,887	\$ 7,349,296
Accrued interest receivable	638	14,783
Accounts and notes receivable	-	88
Due from other funds	-	-
Due from other governments	559	1,047,343
Total assets	255,084	8,411,510
 Liabilities and fund balances		
Liabilities:		
Accounts payable and accrued liabilities	1,126	242,878
Retainage on contracts	-	-
Escrow	-	1,008,065
Total liabilities	1,126	1,250,943
 Fund Balances:		
Restricted	253,958	7,160,567
Committed	-	-
Total fund balances	253,958	7,160,567
 Total liabilities and fund balances	\$ 255,084	\$ 8,411,510

Stormwater Utility	SHIP Local Housing Assistance	Total
\$ 5,570,513	\$ 122,227	\$ 13,295,923
13,205	144	28,770
358,222	-	358,310
209,889	-	209,889
-	-	1,047,902
<u>6,151,829</u>	<u>122,371</u>	<u>14,940,794</u>
315,364	16,492	575,860
11,403	-	11,403
-	-	1,008,065
<u>326,767</u>	<u>16,492</u>	<u>1,595,328</u>
-	105,879	7,520,404
5,825,062	-	5,825,062
<u>5,825,062</u>	<u>105,879</u>	<u>13,345,466</u>
<u>\$ 6,151,829</u>	<u>\$ 122,371</u>	<u>\$ 14,940,794</u>

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Downtown Development	Local Gasoline Tax
Revenues		
Property taxes	\$ 61,669	\$ -
Local option gas tax	-	4,742,861
Intergovernmental revenues	-	1,029,166
Charges for services	-	-
Investment income	246	4,532
Miscellaneous	150	153,087
Total revenues	62,065	5,929,646
Expenditures		
Current:		
General government	46,467	-
Physical environment	-	-
Transportation	-	2,949,474
Economic environment	-	-
Capital outlay	-	680,754
Total expenditures	46,467	3,630,228
Excess (deficiency) of revenues over expenditures	15,598	2,299,418
Other financing sources (uses)		
Transfers in	-	1,569
Transfers out	(10,000)	(1,230,616)
Total other financing sources (uses)	(10,000)	(1,229,047)
Net change in fund balances	5,598	1,070,371
Fund balances - beginning	248,360	6,090,196
Fund balances - ending	\$ 253,958	\$ 7,160,567

<u>Storm water Utility</u>	<u>SHIP Local Housing Assistance</u>	<u>Total</u>
\$ -	\$ -	\$ 61,669
-	-	4,742,861
-	120,287	1,149,453
4,665,570	-	4,665,570
6,013	390	11,181
5,398	-	158,635
<u>4,676,981</u>	<u>120,677</u>	<u>10,789,369</u>
-	-	46,467
2,959,543	-	2,959,543
-	-	2,949,474
-	41,372	41,372
1,236,620	-	1,917,374
<u>4,196,163</u>	<u>41,372</u>	<u>7,914,230</u>
<u>480,818</u>	<u>79,305</u>	<u>2,875,139</u>
-	-	1,569
-	-	(1,240,616)
-	-	(1,239,047)
480,818	79,305	1,636,092
5,344,244	26,574	11,709,374
<u>\$ 5,825,062</u>	<u>\$ 105,879</u>	<u>\$ 13,345,466</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
DOWNTOWN DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Property taxes	\$ 61,669	\$ 61,936	\$ (267)
Investment income	246	-	246
Miscellaneous	150	-	150
Total revenues	<u>62,065</u>	<u>61,936</u>	<u>129</u>
Expenditures			
Current:			
General government	46,467	81,640	35,173
Total expenditures	<u>46,467</u>	<u>81,640</u>	<u>35,173</u>
Excess of revenues over expenditures	<u>15,598</u>	<u>(19,704)</u>	<u>35,302</u>
Other financing (uses)			
Transfers out	(10,000)	(10,000)	-
Total other financing (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balance	5,598	(29,704)	35,302
Fund balance - beginning	<u>248,360</u>	<u>248,360</u>	<u>-</u>
Fund balance - ending	<u>\$ 253,958</u>	<u>\$ 218,656</u>	<u>\$ 35,302</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
LOCAL GASOLINE TAX FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Local option gas tax	\$ 4,742,861	\$ 4,791,457	\$ (48,596)
Intergovernmental revenues	1,029,166	1,230,849	(201,683)
Investment income	4,532	104,596	(100,064)
Miscellaneous	153,087	116,525	36,562
Total revenues	<u>5,929,646</u>	<u>6,243,427</u>	<u>(313,781)</u>
Expenditures			
Current:			
Transportation	2,949,474	5,410,292	2,460,818
Capital outlay	680,754	4,111,448	3,430,694
Total expenditures	<u>3,630,228</u>	<u>9,521,740</u>	<u>5,891,512</u>
Excess (deficiency) of revenues over expenditures	<u>2,299,418</u>	<u>(3,278,313)</u>	<u>5,577,731</u>
Other financing sources (uses)			
Transfers in	1,569	19,450	(17,881)
Transfers out	(1,230,616)	(1,348,228)	117,612
Total other financing sources (uses)	<u>(1,229,047)</u>	<u>(1,328,778)</u>	<u>99,731</u>
Net change in fund balance	1,070,371	(4,607,091)	5,677,462
Fund balance - beginning	<u>6,090,196</u>	<u>6,090,196</u>	<u>-</u>
Fund balance - ending	<u>\$ 7,160,567</u>	<u>\$ 1,483,105</u>	<u>\$ 5,677,462</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
STORMWATER UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Charges for services	\$ 4,665,570	\$ 4,603,409	\$ 62,161
Investment income	6,013	104,047	(98,034)
Other	5,398	-	5,398
Total revenues	<u>4,676,981</u>	<u>4,707,456</u>	<u>(30,475)</u>
Expenditures			
Current:			
Physical environment	2,959,543	6,383,722	3,424,179
Capital outlay	1,236,620	2,822,642	1,586,022
Total expenditures	<u>4,196,163</u>	<u>9,206,364</u>	<u>5,010,201</u>
Excess (deficiency) of revenues over expenditures	<u>480,818</u>	<u>(4,498,908)</u>	<u>4,979,726</u>
Net change in fund balance	480,818	(4,498,908)	4,979,726
Fund balance - beginning	<u>5,344,244</u>	<u>5,344,244</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,825,062</u>	<u>\$ 845,336</u>	<u>\$ 4,979,726</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
SHIP LOCAL HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Intergovernmental revenues	\$ 120,287	\$ 120,287	\$ -
Investment income	390	-	390
Other	-	26,574	(26,574)
Total revenues	<u>120,677</u>	<u>146,861</u>	<u>(26,184)</u>
Expenditures			
Current:			
Economic environment	41,372	146,597	105,225
Total expenditures	<u>41,372</u>	<u>146,597</u>	<u>105,225</u>
Net change in fund balance	79,305	264	79,041
Fund balance - beginning	<u>26,574</u>	<u>26,574</u>	<u>-</u>
Fund balance - ending	<u>\$ 105,879</u>	<u>\$ 26,838</u>	<u>\$ 79,041</u>

CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
SEPTEMBER 30, 2013

	<u>2003 Improvement Certificates</u>	<u>2007A Improvement Certificates</u>	<u>2007B Improvement Certificates</u>
Assets			
Equity in pooled cash and investment fund	\$ -	\$ 350,103	\$ 85,788
Total restricted assets	<u>-</u>	<u>350,103</u>	<u>85,788</u>
 Fund Balances			
Fund Balances: Restricted	-	350,103	85,788
Total fund balances	<u>\$ -</u>	<u>\$ 350,103</u>	<u>\$ 85,788</u>

<u>2012 Refunded Improvement Certificates</u>	<u>2013 Refunded Improvement Certificates</u>	<u>2002 Optional Gas Tax Bonds</u>	<u>Total</u>
\$ 827,283	\$ -	\$ -	\$ 1,263,174
<u>827,283</u>	<u>-</u>	<u>-</u>	<u>1,263,174</u>
827,283	-	-	1,263,174
<u>\$ 827,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,263,174</u>

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>2003</u> <u>Improvement</u> <u>Certificates</u>	<u>2007A</u> <u>Improvement</u> <u>Certificates</u>	<u>2007B</u> <u>Improvement</u> <u>Certificates</u>
Revenues			
Investment income	\$ (3,342)	\$ 856	\$ 194
Total Revenues			
Expenditures			
Current:			
General government	-	-	-
Debt service:			
Principal payments	2,550,000	-	10,000
Interest and paying agents' fees	754,441	700,706	152,275
Total expenditures	<u>3,304,441</u>	<u>700,706</u>	<u>162,275</u>
 (Deficiency) of revenues over expenditures	 <u>(3,307,783)</u>	 <u>(699,850)</u>	 <u>(162,081)</u>
 Other financing sources (uses)			
Transfers in	1,791,530	700,206	161,882
Transfers out	(1,681)	(356)	-
Issuance of refunding debt	7,665,000	-	-
Payment to refunded bond escrow agent	(7,665,000)	-	-
Total other financing sources (uses)	<u>1,789,849</u>	<u>699,850</u>	<u>161,882</u>
 Net change In fund balances	 (1,517,934)	 -	 (199)
 Fund balances - beginning	 <u>1,517,934</u>	 <u>350,103</u>	 <u>85,987</u>
 Fund balances - ending	 <u>\$ -</u>	 <u>\$ 350,103</u>	 <u>\$ 85,788</u>

2012 Refunded Improvement Certificates	2013 Refunded Improvement Certificates	2002 Optional Gas Tax Bonds	Total
<u>\$ 863</u>	<u>\$ -</u>	<u>\$ 1,839</u>	<u>\$ 410</u>
-	34,720	-	34,720
-	-	2,720,000	5,280,000
96,852	-	63,765	1,768,039
<u>96,852</u>	<u>34,720</u>	<u>2,783,765</u>	<u>7,082,759</u>
<u>(95,989)</u>	<u>(34,720)</u>	<u>(2,781,926)</u>	<u>(7,082,349)</u>
1,007,698	-	936,535	4,597,851
(84,426)	(280)	(1,569)	(88,312)
-	35,000	-	7,700,000
-	-	-	(7,665,000)
<u>923,272</u>	<u>34,720</u>	<u>934,966</u>	<u>4,544,539</u>
827,283	-	(1,846,960)	(2,537,810)
<u>-</u>	<u>-</u>	<u>1,846,960</u>	<u>3,800,984</u>
<u>\$ 827,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,263,174</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2003 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ (3,342)	\$ 16,750	\$ (20,092)
Total revenues	<u>(3,342)</u>	<u>16,750</u>	<u>(20,092)</u>
Expenditures			
Debt service:			
Principal payments	2,550,000	2,550,000	-
Interest and paying agents' fees	754,441	754,541	100
Total expenditures	<u>3,304,441</u>	<u>3,304,541</u>	<u>100</u>
Excess (deficiency) of revenues over expenditures	<u>(3,307,783)</u>	<u>(3,287,791)</u>	<u>(19,992)</u>
Other financing sources (uses)			
Issuance of refunding debt	7,665,000	-	7,665,000
Payment to refunded bond escrow agent	(7,665,000)	-	(7,665,000)
Transfers in	1,791,530	1,791,530	-
Transfers out	(1,681)	(15,650)	13,969
Total other financing sources (uses)	<u>1,789,849</u>	<u>1,775,880</u>	<u>13,969</u>
Net change in fund balance	<u>(1,517,934)</u>	<u>(1,511,911)</u>	<u>(6,023)</u>
Fund balance - beginning	<u>1,517,934</u>	<u>1,517,934</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 6,023</u>	<u>\$ (6,023)</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 856	\$ 4,120	\$ (3,264)
Total revenues	<u>856</u>	<u>4,120</u>	<u>(3,264)</u>
Expenditures			
Debt service:			
Interest and paying agents' fees	<u>700,706</u>	<u>700,956</u>	<u>250</u>
Total expenditures	<u>700,706</u>	<u>700,956</u>	<u>250</u>
Excess (deficiency) of revenues over expenditures	<u>(699,850)</u>	<u>(696,836)</u>	<u>(3,014)</u>
Other financing sources (uses)			
Transfers in	700,206	700,206	-
Transfers out	<u>(356)</u>	<u>(3,370)</u>	<u>3,014</u>
Total other financing sources (uses)	<u>699,850</u>	<u>696,836</u>	<u>3,014</u>
Net change in fund balance	-	-	-
Fund balance - beginning	<u>350,103</u>	<u>350,103</u>	<u>-</u>
Fund balance - ending	<u>\$ 350,103</u>	<u>\$ 350,103</u>	<u>\$ -</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007B IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 194	\$ 1,250	\$ (1,056)
Total revenues	<u>194</u>	<u>1,250</u>	<u>(1,056)</u>
Expenditures			
Debt service:			
Principal payments	10,000	10,000	-
Interest and paying agents' fees	<u>152,275</u>	<u>153,025</u>	<u>750</u>
Total expenditures	<u>162,275</u>	<u>163,025</u>	<u>750</u>
Excess (deficiency) of revenues over expenditures	<u>(162,081)</u>	<u>(161,775)</u>	<u>(306)</u>
Other financing sources (uses)			
Transfers in	<u>161,882</u>	<u>161,575</u>	<u>307</u>
Total other financing sources (uses)	<u>161,882</u>	<u>161,575</u>	<u>307</u>
Net change in fund balance	(199)	(200)	1
Fund balance - beginning	<u>85,987</u>	<u>85,987</u>	<u>-</u>
Fund balance - ending	<u>\$ 85,788</u>	<u>\$ 85,787</u>	<u>\$ 1</u>

**CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2012 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 863	\$ 9,500	\$ (8,637)
Total revenues	<u>863</u>	<u>9,500</u>	<u>(8,637)</u>
Expenditures			
Debt service:			
Interest and paying agents' fees	96,852	96,852	-
Total expenditures	<u>96,852</u>	<u>96,852</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(95,989)</u>	<u>(87,352)</u>	<u>(8,637)</u>
Other financing sources (uses)			
Transfers in	1,007,698	923,660	
Transfers out	(84,426)	(9,025)	(75,401)
Total other financing sources (uses)	<u>923,272</u>	<u>914,635</u>	<u>(75,401)</u>
Net change In fund balance	827,283	827,283	(84,038)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 827,283</u>	<u>\$ 827,283</u>	<u>\$ (84,038)</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2013 IMPROVEMENT CERTIFICATES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ -	-	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Current:			
General government	34,720	35,000	
Total expenditures	<u>34,720</u>	<u>35,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(34,720)</u>	<u>(35,000)</u>	<u>-</u>
Other financing sources (uses)			
Transfers out	(280)		(280)
Issuance of refunding debt	35,000	35,000	-
Total other financing sources (uses)	<u>34,720</u>	<u>35,000</u>	<u>(280)</u>
Net change in fund balance	-	-	(280)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (280)</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 OPTIONAL GAS TAX BONDS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ 1,839	\$ 20,000	\$ (18,161)
Total revenues	<u>1,839</u>	<u>20,000</u>	<u>(18,161)</u>
Expenditures			
Debt service:			
Principal payments	2,720,000	2,720,000	-
Interest and paying agents' fees	63,765	150,738	86,973
Total expenditures	<u>2,783,765</u>	<u>2,870,738</u>	<u>86,973</u>
Excess (deficiency) of revenues over expenditures	<u>(2,781,926)</u>	<u>(2,850,738)</u>	<u>68,812</u>
Other financing sources (uses)			
Transfers in	936,535	1,023,228	(86,693)
Transfers out	(1,569)	(19,450)	17,881
Total other financing sources (uses)	<u>934,966</u>	<u>1,003,778</u>	<u>(68,812)</u>
Net change in fund balance	(1,846,960)	(1,846,960)	-
Fund balance - beginning	<u>1,846,960</u>	<u>1,846,960</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2013**

	<u>2002 Capital Improvement</u>	<u>2007A Capital Improvement</u>	<u>Total</u>
Assets			
Equity in pooled cash and investment fund	\$ 824,195	\$ 2,006,543	\$ 2,830,738
Accrued interest receivable	2,109	5,365	7,474
Total assets	<u>826,304</u>	<u>2,011,908</u>	<u>2,838,212</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	142	143,689	143,831
Retainage on contracts	-	11,355	11,355
Total liabilities	<u>142</u>	<u>155,044</u>	<u>155,186</u>
Fund Balances:			
Restricted	<u>826,162</u>	<u>1,856,864</u>	<u>2,683,026</u>
Total fund balances	<u>826,162</u>	<u>1,856,864</u>	<u>2,683,026</u>
Total liabilities and fund balances	<u>\$ 826,304</u>	<u>\$ 2,011,908</u>	<u>\$ 2,838,212</u>

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>2002 Capital Improvement</u>	<u>2007A Capital Improvement</u>	<u>Total</u>
Revenues			
Investment income	\$ -	\$ (39,574)	\$ (39,574)
Other	-	10,680	10,680
Total revenues	<u>-</u>	<u>(28,894)</u>	<u>(28,894)</u>
Expenditures			
Current:			
General government	-	102,389	102,389
Culture and recreation	-	34,815	34,815
Capital outlay	331,048	510,440	841,488
Total expenditures	<u>331,048</u>	<u>647,644</u>	<u>978,692</u>
Net change in fund balances	(331,048)	(676,538)	(1,007,586)
Fund balances - beginning	<u>1,157,210</u>	<u>2,533,402</u>	<u>3,690,612</u>
Fund balances - ending	<u>\$ 826,162</u>	<u>\$ 1,856,864</u>	<u>\$ 2,683,026</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2002 CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Current:			
General government		199,914	199,914
Capital outlay	331,048	730,591	399,543
Total expenditures	<u>331,048</u>	<u>930,505</u>	<u>599,457</u>
Net change in fund balance	(331,048)	(930,505)	599,457
Fund balance - beginning	<u>1,157,210</u>	<u>1,157,210</u>	<u>-</u>
Fund balance - ending	<u>\$ 826,162</u>	<u>\$ 226,705</u>	<u>\$ 599,457</u>

CITY OF OCALA, FLORIDA
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
2007A CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues			
Investment income	\$ (39,574)	\$ 68,240	\$ (107,814)
Other	10,680	-	10,680
Total revenues	<u>(28,894)</u>	<u>68,240</u>	<u>(97,134)</u>
Expenditures			
Current:			
General government	102,389	1,566,039	1,463,650
Culture and recreation	34,815	25,301	(9,514)
Capital outlay	510,440	796,359	285,919
Total expenditures	<u>647,644</u>	<u>2,387,699</u>	<u>1,740,055</u>
Net change in fund balance	(676,538)	(2,319,459)	1,642,921
Fund balance - beginning	<u>2,533,402</u>	<u>2,533,402</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,856,864</u>	<u>\$ 213,943</u>	<u>\$ 1,642,921</u>

**CITY OF OCALA, FLORIDA
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2013**

INTERNAL SERVICE FUNDS:

The Internal Service Funds account for the operation of departments which exist solely to provide services to other City departments. The revenues of the Internal Service Funds are derived from user fees and self-insurance premiums charged to other City funds. The Internal Service Funds used by the City are:

Fleet & Facilities Management Fund - This fund accounts for the operation of the fleet and facilities management department, which is responsible for replacing, specifying, acquiring, maintaining and disposing of approximately 1,027 units of fuel-driven vehicles and equipment, as well as approximately 100 facilities.

Self-Insurance Fund - This fund accounts for the operation of the risk management department and for the costs of the City's insurance and self-insurance plans.

**CITY OF OCALA, FLORIDA
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2013**

	<u>Fleet & Facilities Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Assets			
Current Assets:			
Equity in pooled cash and investment fund	\$ 6,900,286	\$ 21,450,264	\$ 28,350,550
Accrued interest receivable	17,302	50,791	68,093
Accounts receivable	-	6,888	6,888
Total current assets	<u>6,917,588</u>	<u>21,507,943</u>	<u>28,425,531</u>
Capital Assets, Net	<u>12,196,292</u>	<u>-</u>	<u>12,196,292</u>
Total assets	<u>19,113,880</u>	<u>21,507,943</u>	<u>40,621,823</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	63,129	593,795	656,924
Claims payable	-	7,342,411	7,342,411
Capital lease	1,110,469	-	1,110,469
Unearned revenue	-	2,895	2,895
Total current liabilities	<u>1,173,598</u>	<u>7,939,101</u>	<u>9,112,699</u>
Noncurrent Liabilities:			
Capital lease	<u>1,296,196</u>	<u>-</u>	<u>1,296,196</u>
Total noncurrent liabilities	<u>1,296,196</u>	<u>-</u>	<u>1,296,196</u>
Total liabilities	<u>2,469,794</u>	<u>7,939,101</u>	<u>10,408,895</u>
Net Position			
Net invested in capital assets	9,789,627	-	9,789,627
Unrestricted	<u>6,854,459</u>	<u>13,568,842</u>	<u>20,423,301</u>
Total net position	<u>\$ 16,644,086</u>	<u>\$ 13,568,842</u>	<u>\$ 30,212,928</u>

CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Fleet & Facilities Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Operating Revenues:			
Fees and rentals	\$ 774,071	\$ -	\$ 774,071
City insurance contributions	-	9,024,678	9,024,678
Employee insurance contributions	-	2,300,712	2,300,712
Other	133,143	689,291	822,434
Total operating revenues	<u>907,214</u>	<u>12,014,681</u>	<u>12,921,895</u>
Operating Expenses:			
Fleet management	620,332	-	620,332
Insurance, administration and other	-	11,237,659	11,237,659
Depreciation	1,912,048	-	1,912,048
Total operating expenses	<u>2,532,380</u>	<u>11,237,659</u>	<u>13,770,039</u>
Operating income (loss)	<u>(1,625,166)</u>	<u>777,022</u>	<u>(848,144)</u>
Non-Operating Revenues:			
Investment income	6,364	19,900	26,264
Interest expense	(57,464)	-	(57,464)
Other non-operating revenue (expense)	-	-	-
Total non-operating revenues	<u>(51,100)</u>	<u>19,900</u>	<u>(31,200)</u>
Income before operating transfers	<u>(1,676,266)</u>	<u>796,922</u>	<u>(879,344)</u>
Transfers:			
Transfers in	25,540	-	25,540
Transfers out	-	(25,540)	(25,540)
Total transfers	<u>25,540</u>	<u>(25,540)</u>	<u>-</u>
Change in net position	<u>(1,650,726)</u>	<u>771,382</u>	<u>(879,344)</u>
Net position - beginning	<u>18,294,812</u>	<u>12,797,460</u>	<u>31,092,272</u>
Net position - ending	<u>\$ 16,644,086</u>	<u>\$ 13,568,842</u>	<u>\$ 30,212,928</u>



This page intentionally left blank.

**CITY OF OCALA, FLORIDA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from employees	\$ -	\$ 2,305,023	\$ 2,305,023
Cash paid to suppliers for goods and services	(1,326,801)	(3,317,061)	(4,643,862)
Cash paid to employees for services	-	(4,408)	(4,408)
Cash received from other funds	907,214	9,024,678	9,931,892
Cash paid for insurance claims	-	(9,039,737)	(9,039,737)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by operating activities	<u>(419,587)</u>	<u>(1,031,505)</u>	<u>(1,451,092)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	25,540	-	25,540
Transfers out	-	(25,540)	(25,540)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in non-capital financing activities	<u>25,540</u>	<u>(25,540)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities:			
Principal paid on capital lease and notes payable	(744,317)	-	(744,317)
Interest paid on capital lease and notes payable	(57,464)	-	(57,464)
Acquisition and construction of capital assets	(720,650)	-	(720,650)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in capital and related financing activities	<u>(1,522,431)</u>	<u>-</u>	<u>(1,522,431)</u>
Cash Flows from Investing Activities:			
Investment income	14,397	30,174	44,571
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by investing activities	<u>14,397</u>	<u>30,174</u>	<u>44,571</u>
Net increase (decrease) in cash and cash equivalents:	(1,902,081)	(1,026,871)	(2,928,952)
Cash and cash equivalents, beginning	<u>8,802,367</u>	<u>22,477,135</u>	<u>31,279,502</u>
Cash and cash equivalents, ending	<u>\$ 6,900,286</u>	<u>\$ 21,450,264</u>	<u>\$ 28,350,550</u>

(Continued)

**CITY OF OCALA, FLORIDA
 COMBINING STATEMENT OF CASH FLOWS (Continued)
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Fleet Management</u>	<u>Self- Insurance</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Cash Provided by Operating Activities:			
Operating income (loss)	\$ (1,625,166)	\$ 777,022	\$ (848,144)
Adjustment to reconcile operating income to cash flows provided by operating activities:			
Depreciation	1,912,048	-	1,912,048
(Increase) decrease in assets:			
Accounts and notes receivable	-	4,311	4,311
Increase (decrease) in liabilities:			
Accounts payable	(706,469)	(553,249)	(1,259,718)
Claims payable	-	(1,259,589)	(1,259,589)
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by operating activities	<u>\$ (419,587)</u>	<u>\$ (1,031,505)</u>	<u>\$ (1,451,092)</u>

STATISTICAL SECTION

**CITY OF OCALA, FLORIDA
STATISTICAL SECTION
Description of Schedules**

This part of the City of Ocala, Florida’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	126-135
Revenue Capacity These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	136-140
Debt Capacity These tables present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	141-147
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	148-151
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	152-156

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

CITY OF OCALA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Net invested in capital assets	\$ 115,459,984	\$ 116,181,216	\$ 124,147,138	\$ 141,390,721
Restricted	33,214,401	28,958,142	24,466,026	15,879,457
Unrestricted	19,230,746	25,722,561	29,311,300	39,241,861
Total governmental activities net position	<u>167,905,131</u>	<u>170,861,919</u>	<u>177,924,464</u>	<u>196,512,039</u>
Business-type activities				
Net invested in capital assets	183,076,286	183,993,059	196,090,833	223,036,346
Restricted	25,453,335	27,815,830	10,240,786	27,844,378
Unrestricted	55,195,063	57,968,143	84,619,342	68,682,510
Total business-type activities net position	<u>263,724,684</u>	<u>269,777,032</u>	<u>290,950,961</u>	<u>319,563,234</u>
Primary government				
Net invested in capital assets	298,536,270	300,174,275	320,237,971	364,427,067
Restricted	58,667,736	56,773,972	34,706,812	43,723,835
Unrestricted	74,425,809	83,690,704	113,930,642	107,924,371
Total primary government net position	<u>\$ 431,629,815</u>	<u>\$ 440,638,951</u>	<u>\$ 468,875,425</u>	<u>\$ 516,075,273</u>

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 128,759,607	\$ 146,661,774	\$ 141,149,863	\$ 139,025,810	\$ 143,798,547	\$ 143,230,639
26,539,950	10,589,689	19,911,292	21,083,016	15,804,304	14,389,998
54,148,084	63,224,481	70,447,522	66,879,269	61,671,543	64,263,573
<u>209,447,641</u>	<u>220,475,944</u>	<u>231,508,677</u>	<u>226,988,095</u>	<u>221,274,394</u>	<u>221,884,210</u>
232,698,752	250,066,606	257,326,336	252,616,203	238,797,203	236,089,499
28,358,718	32,252,690	38,519,090	23,487,318	18,151,713	16,814,430
66,983,643	65,557,333	48,567,143	58,444,825	76,551,821	80,593,174
<u>328,041,113</u>	<u>347,876,629</u>	<u>344,412,569</u>	<u>334,548,346</u>	<u>333,500,737</u>	<u>333,497,103</u>
361,458,359	396,728,380	398,476,199	391,642,013	382,595,750	379,320,138
54,898,668	42,842,379	58,430,382	44,570,334	33,956,017	31,204,428
121,131,727	128,781,814	119,014,665	125,324,094	138,223,364	144,856,747
<u>\$ 537,488,754</u>	<u>\$ 568,352,573</u>	<u>\$ 575,921,246</u>	<u>\$ 561,536,441</u>	<u>\$ 554,775,131</u>	<u>\$ 555,381,313</u>

CITY OF OCALA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses				
Governmental Activities:				
General government	\$ 6,970,877	\$ 8,604,212	\$ 8,341,978	\$ 9,042,965
Public safety	28,723,206	33,862,494	31,980,509	33,789,230
Public works	15,846,226	11,248,691	19,064,719	19,294,535
Physical environment	-	-	104,095	78,778
Transportation	-	-	636,705	595,319
Economic environment	304,668	345,869	986,103	1,018,874
Human services	-	-	167,746	175,581
Culture and recreation	4,667,252	5,486,761	5,204,487	5,290,190
Non-departmental	401,875	209,889	-	-
Interest on long-term debt	1,941,182	1,901,587	1,813,808	1,787,386
Total Governmental Activities	<u>61,489,689</u>	<u>64,044,026</u>	<u>68,300,150</u>	<u>71,072,858</u>
Business-type Activities:				
Electric	112,445,761	121,062,884	147,557,401	143,298,835
Water and sewer	17,609,196	19,762,319	20,982,952	21,899,008
Sanitation	9,080,734	10,296,688	9,223,907	10,207,833
Municipal golf courses	2,665,999	2,885,062	2,815,080	2,956,984
Municipal trailer park	96,477	95,003	105,446	108,164
International airport	1,491,874	1,273,234	1,191,134	1,315,256
Adult athletic complex	171,140	185,716	202,062	213,599
Communications	854,242	897,376	928,304	1,160,423
SunTran	1,639,368	1,779,496	1,887,826	2,076,317
Total Business-type Activities	<u>146,054,791</u>	<u>158,237,778</u>	<u>184,894,112</u>	<u>183,236,419</u>
Total Expenses	<u>\$ 207,544,480</u>	<u>\$ 222,281,804</u>	<u>\$ 253,194,262</u>	<u>\$ 254,309,277</u>
Program Revenues				
Governmental Activities:				
Charges for services:				
General government	\$ 3,580,601	\$ 5,149,670	\$ 5,560,008	\$ 5,769,933
Public safety	621,434	649,697	683,644	5,395,245
Public works	2,359,217	2,975,108	4,483,574	4,617,381
Economic environment	-	-	-	-
Human services	-	-	-	-
Culture and recreation	634,608	697,530	731,896	847,408
Housing and urban development	-	-	264,817	216,853
Miscellaneous	152,770	263,097	-	-
Operating grants and contributions	8,972,211	8,301,964	9,966,243	8,171,315
Capital grants and contributions	29,045	2,969,336	3,818,508	10,393,761
Total governmental activities	<u>\$ 16,349,886</u>	<u>\$ 21,006,402</u>	<u>\$ 25,508,690</u>	<u>\$ 35,411,896</u>
Business-type Activities:				
Charges for services:				
Electric	\$ 119,620,424	\$ 131,457,291	\$ 162,504,999	\$ 151,504,058
Water and sewer	19,794,329	22,036,751	24,875,305	26,282,949
Sanitation	8,822,329	9,327,646	10,066,654	10,704,172
Municipal golf courses	2,330,548	2,124,820	2,394,301	2,069,934
Municipal trailer park	106,001	111,097	111,062	122,667
International airport	675,459	609,983	597,170	846,820
Adult athletic complex	103,295	132,710	134,301	162,187
Communications	1,445,890	1,279,230	1,255,884	1,758,988
SunTran	174,380	192,818	207,268	274,241
Operating grants and contributions	4,345,717	3,835,344	1,282,929	1,344,736
Capital grants and contributions	3,173,740	6,851,151	13,222,924	14,001,918
Total Business-type Activities	<u>160,592,112</u>	<u>177,958,841</u>	<u>216,652,797</u>	<u>209,072,670</u>
Total Program Revenues	<u>\$ 176,941,998</u>	<u>\$ 198,965,243</u>	<u>\$ 242,161,487</u>	<u>\$ 244,484,566</u>

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	7,347,987	\$ 10,239,676	\$ 16,752,242	\$ 24,264,441	\$ 21,121,585	\$ 19,281,318
	37,270,168	37,143,770	34,749,900	38,347,627	38,601,843	37,679,867
	15,599,695	13,839,479	16,158,833	-	-	-
	120,691	51,956	95,797	2,926,147	3,371,441	3,360,975
	519,577	583,024	544,636	15,289,841	16,209,344	13,965,893
	1,199,010	1,391,668	1,141,505	1,693,471	1,421,490	1,307,330
	181,926	202,033	210,689	344,194	295,471	24,280
	5,290,461	4,937,571	4,459,167	5,688,221	5,532,341	5,277,119
	-	-	-	-	-	-
	2,238,101	2,219,848	2,130,575	1,973,381	1,901,112	1,539,021
	<u>69,767,616</u>	<u>70,609,025</u>	<u>76,243,344</u>	<u>90,527,323</u>	<u>88,454,627</u>	<u>82,435,803</u>
	166,633,502	167,299,569	159,685,595	141,265,888	131,739,257	138,811,204
	26,199,859	25,677,661	24,979,015	26,910,448	27,502,689	28,609,880
	11,249,757	9,490,485	9,226,066	8,300,874	8,403,943	7,882,244
	3,201,620	2,835,780	2,750,571	1,864,304	1,838,581	1,677,306
	185,069	313,027	1,585	-	-	-
	1,276,023	1,152,341	1,065,738	1,319,583	2,133,709	2,118,046
	249,338	321,388	-	-	-	-
	1,290,286	1,326,462	1,692,881	1,918,905	1,718,074	1,920,583
	2,385,529	2,279,470	2,424,357	2,552,321	2,723,710	3,218,583
	<u>212,670,983</u>	<u>210,696,183</u>	<u>201,825,808</u>	<u>184,132,323</u>	<u>176,059,963</u>	<u>184,237,846</u>
\$	<u>\$ 282,438,599</u>	<u>\$ 281,305,208</u>	<u>\$ 278,069,152</u>	<u>\$ 274,659,646</u>	<u>\$ 264,514,590</u>	<u>\$ 266,673,649</u>
\$	4,786,682	\$ 2,640,352	\$ 6,188,395	\$ 11,554,007	\$ 11,756,605	\$ 12,120,493
	7,776,470	8,223,438	8,195,210	8,132,401	8,180,181	8,633,327
	5,105,758	4,642,705	4,614,709	-	-	-
	-	-	-	29,006	30,604	63,899
	83,612	-	-	-	-	-
	708,726	494,433	493,733	393,910	387,020	391,944
	89,845	18,502	43,933	-	-	-
	-	-	-	-	-	-
	8,932,926	3,914,934	4,274,901	4,768,303	4,531,360	3,576,996
	350,420	4,105,649	3,540,911	1,474,530	290,385	2,453,222
\$	<u>\$ 27,834,439</u>	<u>\$ 24,040,013</u>	<u>\$ 27,351,792</u>	<u>\$ 26,352,157</u>	<u>\$ 25,176,155</u>	<u>\$ 27,239,881</u>
\$	176,235,678	\$ 177,960,026	\$ 173,550,081	\$ 139,919,007	\$ 139,183,371	\$ 150,344,736
	29,897,392	26,352,644	26,212,019	26,417,073	26,575,860	26,228,504
	10,722,931	10,367,214	10,227,176	10,143,158	10,049,016	10,035,141
	1,988,105	1,423,620	1,813,360	1,167,391	1,113,876	1,141,808
	119,587	46,646	-	-	-	-
	793,948	874,514	693,157	727,728	674,507	767,090
	155,461	140,640	-	-	-	-
	1,861,780	1,890,773	2,178,868	2,297,997	2,437,730	2,530,414
	258,529	298,481	312,821	357,467	371,062	361,693
	672,437	4,157,687	2,124,323	2,084,740	2,039,616	2,936,061
	4,931,655	6,734,016	2,042,164	2,582,497	738,514	1,479,180
	<u>227,637,503</u>	<u>230,246,261</u>	<u>219,153,969</u>	<u>185,697,058</u>	<u>183,183,552</u>	<u>195,824,627</u>
\$	<u>\$ 255,471,942</u>	<u>\$ 254,286,274</u>	<u>\$ 246,505,761</u>	<u>\$ 212,049,215</u>	<u>\$ 208,359,707</u>	<u>\$ 223,064,508</u>

CITY OF OCALA
CHANGES IN NET POSITION (continued)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense)/Revenue:				
Governmental Activities	\$ (45,139,803)	\$ (43,037,624)	(42,791,460)	(35,660,962)
Business-type Activities	<u>14,537,321</u>	<u>19,721,063</u>	<u>31,758,685</u>	<u>25,836,251</u>
Total net expense	\$ (30,602,482)	\$ (23,316,561)	(11,032,775)	(9,824,711)
General Revenues				
Governmental Activities:				
Property taxes	\$ 14,009,302	\$ 16,353,798	17,838,831	21,147,093
Utility service tax	9,329,469	10,493,622	10,492,840	11,613,177
Other taxes	631,744	637,006	776,335	1,723,911
Unrestricted revenues	4,392,031	4,881,721	5,162,216	4,898,299
Investment income	864,869	1,250,902	2,843,963	3,834,054
Miscellaneous	48,350	41,595	103,094	197,315
Transfers	<u>11,766,087</u>	<u>12,335,768</u>	<u>12,636,726</u>	<u>10,834,688</u>
Total governmental revenues and transfers	<u>41,041,852</u>	<u>45,994,412</u>	<u>49,854,005</u>	<u>54,248,537</u>
Business-type Activities:				
Investment income	1,297,764	1,980,750	4,535,902	6,025,971
Transfers	<u>(11,766,087)</u>	<u>(12,335,768)</u>	<u>(12,636,726)</u>	<u>(10,834,688)</u>
Total business-type activities	<u>(10,468,323)</u>	<u>(10,355,018)</u>	<u>(8,100,824)</u>	<u>(4,808,717)</u>
Total primary government	<u>\$ 30,573,529</u>	<u>\$ 35,639,394</u>	<u>41,753,181</u>	<u>49,439,820</u>
Change in Net Position				
Governmental Activities	\$ (4,097,951)	\$ 2,956,788	\$ 7,062,545	\$ 18,587,575
Business-type Activities	4,068,998	9,366,045	23,657,861	21,027,534
Total Change in Net Position	<u>\$ (28,953)</u>	<u>\$ 12,322,833</u>	<u>30,720,406</u>	<u>39,615,109</u>

2008	2009	2010	2011	2012	2013
(41,933,177)	(46,569,012)	(48,891,552)	(64,175,166)	(63,278,472)	(55,195,922)
<u>14,966,520</u>	<u>19,550,078</u>	<u>17,328,161</u>	<u>1,564,735</u>	<u>7,123,589</u>	<u>11,586,781</u>
<u>(26,966,657)</u>	<u>(27,018,934)</u>	<u>(31,563,391)</u>	<u>(62,610,431)</u>	<u>(56,154,883)</u>	<u>(43,609,141)</u>
21,102,963	20,978,586	21,677,666	21,631,286	21,480,323	21,305,973
12,468,590	13,209,971	13,327,736	10,866,057	11,406,395	8,599,445
1,111,427	4,504,911	5,718,242	5,808,190	5,582,859	8,972,446
4,897,376	4,752,300	4,341,188	4,250,585	4,624,982	4,840,855
2,646,691	5,898,766	3,149,151	1,504,673	2,069,520	82,061
1,391,588	1,241,128	677,770	1,521,444	1,226,162	1,009,236
<u>11,250,144</u>	<u>7,011,653</u>	<u>11,032,532</u>	<u>14,072,349</u>	<u>11,174,530</u>	<u>11,232,009</u>
<u>54,868,779</u>	<u>57,597,315</u>	<u>59,924,285</u>	<u>59,654,584</u>	<u>57,564,771</u>	<u>56,042,025</u>
4,761,503	7,297,091	3,217,987	2,643,391	3,003,332	762,696
<u>(11,250,144)</u>	<u>(7,011,653)</u>	<u>(11,032,532)</u>	<u>(14,072,349)</u>	<u>(11,174,530)</u>	<u>(11,232,009)</u>
<u>(6,488,641)</u>	<u>285,438</u>	<u>(7,814,545)</u>	<u>(11,428,958)</u>	<u>(8,171,198)</u>	<u>(10,469,313)</u>
<u>48,380,138</u>	<u>57,882,753</u>	<u>52,109,740</u>	<u>48,225,626</u>	<u>49,393,573</u>	<u>45,572,712</u>
\$ 12,935,602	\$ 11,028,303	\$ 11,032,733	\$ (4,520,582)	\$ (5,713,701)	\$ 846,103
<u>8,477,879</u>	<u>19,835,516</u>	<u>9,513,616</u>	<u>(9,864,223)</u>	<u>(1,047,609)</u>	<u>1,117,468</u>
<u>21,413,481</u>	<u>30,863,819</u>	<u>20,546,349</u>	<u>(14,384,805)</u>	<u>(6,761,310)</u>	<u>1,963,571</u>

CITY OF OCALA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved	10,735,291	16,209,931	19,728,353	25,945,812
Total general fund	<u>10,735,291</u>	<u>16,209,931</u>	<u>19,728,353</u>	<u>25,945,812</u>
CRA fund				
Restricted	-	-	-	-
Total CRA fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
All other governmental funds				
Restricted	-	-	-	-
Committed	-	-	-	-
Reserved	34,151,577	29,861,294	25,336,025	16,712,856
Unreserved, reported in:				
Special revenue funds	2,427,464	3,154,023	3,369,290	2,900,260
Total all other governmental funds	<u>\$ 36,579,041</u>	<u>\$ 33,015,317</u>	<u>\$ 28,705,315</u>	<u>\$ 19,613,116</u>

Note: Beginning in 2011, amounts have not been restated for the implementation of GASB statement 54.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ -	\$ -	\$ -	\$ 296,457	\$ 357,305	\$ 312,239
-	-	233,683	-	-	-
-	-	-	2,623,303	2,698,762	2,250,114
-	-	-	2,757,930	2,231,685	2,075,156
-	-	-	20,392,709	18,439,496	19,470,337
-	-	-	15,065,839	15,196,270	17,366,628
<u>27,070,783</u>	<u>31,278,522</u>	<u>38,771,465</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u><u>27,070,783</u></u>	<u><u>31,278,522</u></u>	<u><u>39,005,148</u></u>	<u><u>41,136,238</u></u>	<u><u>38,923,518</u></u>	<u><u>41,474,474</u></u>
-	-	-	-	3,685,413	3,854,480
-	-	-	-	<u>3,685,413</u>	<u>3,854,480</u>
-	-	-	19,147,131	13,856,726	11,466,604
-	-	-	5,398,490	5,344,244	5,825,062
27,659,497	22,914,895	22,065,677	-	-	-
<u>4,671,581</u>	<u>4,337,328</u>	<u>4,697,335</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u><u>\$ 32,331,078</u></u>	<u><u>\$ 27,252,223</u></u>	<u><u>\$ 26,763,012</u></u>	<u><u>\$ 24,545,621</u></u>	<u><u>\$ 19,200,970</u></u>	<u><u>\$ 17,291,666</u></u>

CITY OF OCALA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues:				
Property tax	\$ 14,009,302	\$ 16,353,798	\$ 17,838,831	\$ 21,147,093
Utility service tax	9,329,469	10,493,622	10,492,840	11,613,177
Communication service tax				
Local option tax	709,786	725,928	860,958	1,799,011
Other tax				
State revenue sharing	1,443,396	1,654,026	1,676,397	1,694,938
Other intergovernmental revenue	11,210,086	12,697,561	12,325,003	9,771,807
Parking meters and facilities	66,572	58,644	48,528	38,358
Licenses, permits and fees	1,483,910	2,292,970	2,679,396	2,223,801
Fines and forfeitures	489,143	501,990	491,365	666,486
Charges for services	4,652,492	6,303,068	8,052,521	13,213,581
Investment income	709,560	1,078,883	2,318,243	3,023,206
Gifts	594,917	1,722,328	1,490,884	3,157,632
Miscellaneous	771,709	610,209	869,263	931,583
Total revenues	<u>45,470,342</u>	<u>54,493,027</u>	<u>59,144,229</u>	<u>69,280,673</u>
Expenditures:				
General government	6,757,264	7,643,894	8,173,331	9,373,452
Public safety	27,269,177	29,092,600	30,795,940	33,840,516
Public works	8,329,248	10,773,519	12,265,628	13,681,476
Physical environment	-	-	103,973	79,288
Transportation	-	-	628,972	627,682
Economic environment	304,668	345,869	930,969	950,547
Human services	-	-	167,714	175,714
Culture and recreation	4,226,419	4,676,951	5,030,888	5,301,517
Capital outlay	4,285,205	6,314,599	9,815,155	14,257,745
Debt service				
Principal payments	2,145,000	2,805,000	2,875,000	2,940,000
Interest and fees	1,708,561	1,878,165	1,791,259	1,768,469
Total expenditures	<u>57,794,640</u>	<u>66,080,612</u>	<u>72,578,829</u>	<u>82,996,406</u>
Excess of revenues over (under) expenditures	<u>(12,324,298)</u>	<u>(11,587,585)</u>	<u>(13,434,600)</u>	<u>(13,715,733)</u>
Other financing sources (uses):				
Transfers in	16,407,407	17,159,554	17,557,172	17,940,728
Transfers out	(4,635,023)	(4,946,543)	(4,914,152)	(7,099,735)
Issuance of debt	-	-	-	-
Bond premium (discount)	-	-	-	-
Payment to bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>11,772,384</u>	<u>12,213,011</u>	<u>12,643,020</u>	<u>10,840,993</u>
Net change in fund balances	<u>\$ (551,914)</u>	<u>\$ 625,426</u>	<u>\$ (791,580)</u>	<u>\$ (2,874,740)</u>
Debt service as a percentage of noncapital expenditures	7.20%	7.84%	7.43%	6.85%

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 21,102,963	\$ 20,978,586	\$ 21,677,666	\$ 21,631,286	\$ 21,480,323	\$ 21,305,973
12,468,590	13,209,971	13,327,736	10,866,057	11,406,395	8,599,445
					3,284,777
1,111,427	4,504,911	5,718,242	5,808,190	5,582,859	4,742,861
					944,808
4,897,376	4,752,300	4,341,188	4,250,585	4,624,982	4,840,855
9,267,258	5,475,893	7,602,864	6,242,833	3,617,375	4,721,562
55,009	59,354	-	-	-	-
1,869,393	948,981	2,063,405	2,127,999	1,968,607	1,961,915
461,016	582,352	495,370	493,956	551,217	525,780
15,453,587	14,637,036	16,977,204	17,487,369	17,834,586	18,721,968
2,093,104	4,199,163	2,152,552	1,028,367	1,451,612	15,094
547,044	1,840,756	212,949	137,589	1,204,370	70,747
1,391,588	1,241,128	677,770	1,383,855	1,226,162	917,713
<u>70,718,355</u>	<u>72,430,431</u>	<u>75,246,946</u>	<u>71,458,086</u>	<u>70,948,488</u>	<u>70,653,498</u>
14,354,658	10,170,481	16,052,937	19,524,363	18,349,850	17,510,262
36,498,069	37,118,704	34,806,006	35,713,344	36,171,183	36,209,453
9,695,188	8,979,723	9,643,723	-	-	-
81,207	22,228	-	2,540,183	2,954,633	2,959,543
545,969	630,474	552,731	7,841,187	8,169,030	5,901,177
1,184,083	1,389,402	1,144,566	1,623,516	1,293,888	1,172,458
164,528	197,435	205,492	252,015	284,499	18,507
5,157,138	5,144,054	4,395,486	5,122,702	5,002,921	4,791,829
10,551,340	11,171,184	10,348,794	7,033,957	7,764,972	5,498,520
3,020,000	3,368,600	3,318,601	3,135,000	3,905,000	5,280,000
1,894,751	2,204,915	2,117,452	2,023,321	2,139,000	1,768,039
<u>83,146,931</u>	<u>80,397,200</u>	<u>82,585,788</u>	<u>84,809,588</u>	<u>86,034,976</u>	<u>81,109,788</u>
<u>(12,428,576)</u>	<u>(7,966,769)</u>	<u>(7,338,842)</u>	<u>(13,351,502)</u>	<u>(15,086,488)</u>	<u>(10,456,290)</u>
20,330,785	18,677,751	21,747,904	19,144,620	16,776,990	15,802,925
(10,192,662)	(11,582,098)	(7,171,647)	(5,879,419)	(5,602,460)	(4,570,916)
20,707,201	-	-	-	8,405,000	7,700,000
(378,596)	-	-	-	-	-
<u>(4,195,219)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,365,000)</u>	<u>(7,665,000)</u>
26,271,509	7,095,653	14,576,257	13,265,201	11,214,530	11,267,009
<u>\$ 13,842,933</u>	<u>\$ (871,116)</u>	<u>\$ 7,237,415</u>	<u>\$ (86,301)</u>	<u>\$ (3,871,958)</u>	<u>\$ 810,719</u>
6.77%	8.05%	7.53%	6.63%	7.72%	9.32%

**CITY OF OCALA
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
 OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal Year Ended Sept. 30, ⁽²⁾	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property	Governmental Property
2004	1,207,542,156	746,568,489	275,988,760	48,687,495	195,651,980	284,723,737
2005	1,369,536,668	824,450,460	303,736,680	62,359,418	206,861,715	304,364,777
2006	1,600,222,052	890,444,399	326,588,278	73,141,502	228,418,327	372,272,984
2007	2,167,036,569	1,067,577,070	398,331,679	105,585,327	271,471,369	434,025,442
2008	2,949,994,448	1,253,672,907	482,610,648	93,641,860	307,406,690	481,497,048
2009	2,965,292,837	1,346,969,757	533,735,948	100,123,252	324,414,667	490,801,375
2010	2,556,679,147	1,371,181,796	477,635,303	100,123,252	324,414,667	503,103,052
2011	2,181,585,419	1,203,014,383	435,601,285	73,955,610	294,136,778	476,559,144
2012	1,968,142,445	1,169,047,884	417,870,693	78,020,561	288,016,230	463,576,509
2013	1,810,585,718	1,145,607,613	408,603,966	75,116,698	284,089,821	454,817,624

Source: Marion County, Florida, Property Appraiser

Notes:

⁽¹⁾ Property in the City of Ocala is reassessed each year by the Marion County Property Appraiser.

Tax rates are per \$1,000 of assessed value.

⁽²⁾ All property assessed value for the specified fiscal year-end are obtained from the previous year's tax roll.

⁽³⁾ Includes tax-exempt property

Vacant Land/Other	Total Real Estate Property	Tangible Personal Property	Total Tax Exempt	Total Assessed Value	Total Direct Tax Rate ⁽¹⁾	Estimated Actual Taxable Value	Assessed Value ⁽³⁾ as a Percentage of Actual Value
102,363,486	2,861,526,103	494,690,903	834,305,524	2,521,911,482	5.687	2,640,745,007	95.50%
123,879,204	3,195,188,922	496,528,576	902,518,740	2,789,198,758	5.936	2,899,375,008	96.20%
130,566,644	3,621,654,186	508,697,524	1,064,029,778	3,066,321,932	5.934	3,286,518,684	93.30%
173,483,303	4,617,510,759	547,189,434	1,402,552,458	3,762,147,735	5.676	4,006,547,109	93.90%
268,788,561	5,837,612,162	614,223,942	1,739,792,892	4,712,043,212	4.529	4,852,773,648	97.10%
271,011,673	6,032,349,509	653,897,260	1,959,757,717	4,726,489,052	4.529	4,818,031,653	98.10%
223,798,124	5,543,544,948	597,457,634	1,724,507,750	4,416,494,832	4.966	4,420,915,748	99.90%
180,770,925	4,845,623,544	545,408,952	1,485,187,355	3,905,845,141	5.618	3,997,794,412	97.70%
177,245,591	4,561,919,913	500,461,641	1,372,659,330	3,689,722,224	5.933	3,768,868,462	97.90%
162,167,340	4,340,988,780	498,291,991	1,296,059,078	3,543,221,693	6.150	3,546,768,461	99.90%

**CITY OF OCALA
PROPERTY TAX RATES AND LEVIES -
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**
(rate per \$1,000 of assessed value)

MILLAGE RATES

Fiscal Year ⁽¹⁾	Direct	Overlapping			Total
	City	County	School	Water Mgmt Districts	
2004	5.68	5.64	9.06	0.46	20.84
2005	5.93	5.31	8.27	0.46	19.97
2006	5.93	4.87	8.01	0.46	19.27
2007	5.68	4.57	7.87	0.46	18.58
2008	4.53	3.49	7.61	0.42	16.04
2009	4.53	3.89	7.50	0.42	16.33
2010	4.97	3.90	7.48	0.42	16.76
2011	5.62	3.89	7.49	0.42	17.42
2012	5.93	3.89	7.71	0.33	17.86
2013	6.15	3.89	7.67	0.33	18.04

Source: Marion County, Florida, Property Appraiser.

Note:

⁽¹⁾ All property valuations for the specified fiscal year-end are obtained from the previous year's tax roll.

The Florida Constitution limits the City millage capacity (non debt related) to 10.000 mills.

**CITY OF OCALA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

Taxpayer	2013			2004		
	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percent of Total Taxable Assessed Value
K-Mart Corporation	\$ 53,715,528	1	1.52%	\$ 56,624,558	2	2.25%
Marion Community Hospital	46,846,576	2	1.32%	46,295,270	3	1.84%
Embarq	46,526,155	3	1.31%	124,898,013	1	4.95%
Paddock Mall Associates	38,648,164	4	1.09%	26,965,500	5	1.07%
The Ocala Shoppes LLC	28,273,148	5	0.80%	-	-	-
Wal-Mart	27,153,430	6	0.77%	37,237,944	4	1.48%
Closetmaid Corporation	25,448,943	7	0.72%	-	-	-
Carlton Arms Apartments	24,675,091	8	0.70%	15,866,367	7	0.63%
Morgan Ocala Center	20,335,049	9	0.57%	-	-	-
C.C. Ocala Joint Venture	20,163,397	10	0.57%	10,564,520	10	0.42%
Clarison International	-	-	-	23,583,567	6	0.94%
Gray Lumber Co. (Tuscany Apts)	-	-	-	12,634,035	8	0.50%
Rolling Greens MHP LP	-	-	-	12,404,525	9	0.49%
Total	<u>\$ 331,785,481</u>		<u>9.36%</u>	<u>\$ 367,074,299</u>		<u>14.56%</u>

Source: Marion County Property Appraiser

Note: City of Ocala taxpayers pay City, County, School Board and certain water district levies.

Only the City levy is shown here.

Excludes property tax levies of the Downtown Development Districts.

**CITY OF OCALA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended September 30</u>	<u>Taxes Levied For Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collection to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2004	\$ 14,369,729	\$ 13,444,999	93.56%	\$ 420,852	\$ 13,865,851	96.49%
2005	16,587,684	15,498,629	93.43%	697,825	16,196,454	97.64%
2006	18,221,939	17,506,783	96.08%	151,208	17,657,991	96.91%
2007	21,386,729	20,690,703	96.75%	223,248	20,913,951	97.79%
2008	21,372,488	20,544,371	96.13%	231,458	20,775,829	97.21%
2009	21,405,324	20,394,711	95.28%	191,247	20,585,958	96.17%
2010	21,950,174	21,057,371	95.93%	232,430	21,289,801	96.99%
2011	21,944,215	21,221,107	96.70%	99,890	21,320,997	97.16%
2012	21,891,859	20,865,755	95.31%	133,400	20,999,155	95.92%
2013	21,791,532	20,808,891	95.49%	243,563	21,052,454	96.61%

Source: Marion County, Florida, Property Appraiser and City of Ocala Office of Budget and Finance.

Note: Property in the City of Ocala is reassessed each year by the Marion County Property Appraiser. Actual tax collections received in each fiscal year are from the prior year's tax levy.

Excludes property tax levies of the Downtown Development Commission.

CITY OF OCALA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(amounts in thousands)

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	Capital Improvement Certificates	Optional Gas Tax Bonds	Total	Electric System Revenue Bonds	Utility Systems Revenue Bonds	Water and Sewer Revenue Bonds	Total			
2004	\$ 33,700	\$16,040	\$ 49,740	\$ 6,545	\$ -	\$ 85,750	\$ 92,295	\$ 142,035	12.14%	\$ 3,005
2005	32,465	14,470	46,935	-	57,980	59,655	117,635	164,570	13.00%	3,329
2006	31,200	12,860	44,060	-	57,485	56,595	114,080	158,140	11.50%	3,050
2007	29,910	11,210	41,120	-	56,860	53,425	110,285	151,405	10.53%	2,791
2008	44,575	9,515	54,090	-	144,170	27,605	171,775	225,865	15.18%	4,164
2009	43,215	7,780	50,995	-	143,520	24,165	167,685	218,680	14.54%	3,991
2010	41,805	6,145	47,950	-	142,860	20,575	163,435	211,385	13.22%	3,754
2011	40,355	4,460	44,815	-	139,220	16,830	156,050	200,865	12.51%	3,552
2012	38,230	2,720	40,950	-	154,380	-	154,380	195,330	11.65%	3,424
2013	35,427	-	35,427	-	153,137	-	153,137	188,564	11.18%	3,286

Source: The City of Ocala Office of Budget & Financial Services.

Per Capita Income - Florida Research and Economic Database.

Population - The City of Ocala Office of Budget and Finance, Bureau of Economic and Business Research, University of Florida.

**CITY OF OCALA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

The City of Ocala had no outstanding general obligation debt during the fiscal years ending September 30, 2004 - 2013.

**CITY OF OCALA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
SEPTEMBER 30, 2013**

<u>Governmental Unit</u>	<u>Bonds Outstanding</u>	<u>Applicable to City of Ocala</u>	
		<u>Percent ⁽²⁾</u>	<u>Amount</u>
Marion County Limited Ad Valorem Refunding Tax Bonds, Series 1998	\$ 3,400,000	25.45%	\$ 865,226
Total Overlapping Debt			<u>865,226</u>
City direct debt			<u>35,427,118</u>
Total direct and overlapping debt			<u><u>\$ 36,292,344</u></u>

1 The City of Ocala had no outstanding general obligation debt during the fiscal year ended September 30, 2013.

2 Represents the fraction of assessed valuation of taxable property in the City of Ocala over the assessed valuation of taxable property in the governmental unit.

**CITY OF OCALA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Value (100% at market as of January 1, 2013)	<u>\$ 2,521,911,481</u>	<u>\$ 2,789,198,758</u>	<u>\$ 3,066,321,932</u>	<u>\$ 3,762,147,735</u>
Debt Limit: 20% of Assessed Value	\$ 504,382,296	\$ 557,839,752	\$ 613,264,386	\$ 752,429,547
Amount of General Obligation Debt Outstanding	-	-	-	-
Legal Debt Margin	<u>\$ 504,382,296</u>	<u>\$ 557,839,752</u>	<u>\$ 613,264,386</u>	<u>\$ 752,429,547</u>

In accordance with Article IX, §9.02 of the City of Ocala Charter, the "aggregate amount of general obligation bonds of the City outstanding at any one time shall not be greater than twenty percent (20%) of the assessed valuation of the taxable real and personal property in the City according to the latest assessment of such real and personal property."

2008	2009	2010	2011	2012	2013
<u>\$ 4,712,043,212</u>	<u>\$ 4,726,489,052</u>	<u>\$ 4,416,494,782</u>	<u>\$ 3,905,845,141</u>	<u>\$ 3,689,722,224</u>	<u>\$ 3,543,221,693</u>
\$ 942,408,642	\$ 945,297,810	\$ 883,298,956	\$ 781,169,028	\$ 737,944,445	\$ 708,644,339
-	-	-	-	-	-
<u>\$ 942,408,642</u>	<u>\$ 945,297,810</u>	<u>\$ 883,298,956</u>	<u>\$ 781,169,028</u>	<u>\$ 737,944,445</u>	<u>\$ 708,644,339</u>

**CITY OF OCALA
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Capital Improvement Bonds and Certificates:				
Net revenue available for debt service	\$ 8,901,118	\$ 9,339,678	\$ 9,886,289	\$ 9,628,290
Debt Service payments:				
Principal	620,000	1,265,000	1,265,000	1,290,000
Interest	1,243,263	1,388,006	1,360,422	1,331,339
Total debt service payments	\$ 1,863,263	\$ 2,653,006	\$ 2,625,422	\$ 2,621,339
Coverage (times)	4.78x	3.52x	3.77x	3.67x
Optional Gas Tax Bonds:				
Net revenue available for debt service	\$ 2,840,647	\$ 2,957,912	\$ 3,113,220	\$ 3,180,946
Debt Service payments:				
Principal	1,370,000	1,415,000	1,450,000	1,480,000
Interest	492,636	452,321	412,730	372,060
Total debt service payments	\$ 1,862,636	\$ 1,867,321	\$ 1,862,730	\$ 1,852,060
Coverage (times)	1.53x	1.58x	1.67x	1.72x
Electric System Bonds:				
Gross revenues	\$ 121,996,540	\$ 133,762,878	\$ 162,504,999	\$ 151,504,058
Less: operating expenses	107,439,353	115,542,920	142,349,614	138,048,277
Net revenue available for debt service	14,557,187	18,219,958	20,155,385	13,455,781
Debt Service payments:				
Principal	2,035,000	2,105,000	-	-
Interest	264,387	164,699	-	-
Total debt service payments	\$ 2,299,387	\$ 2,269,699	\$ -	\$ -
Coverage (times)	6.33x	8.03x	N/A	N/A
Water & Sewer Bonds:				
Gross revenues	\$ 20,435,447	\$ 22,873,163	\$ 24,875,305	\$ 26,282,949
Less: operating expenses	9,115,971	9,875,460	10,914,429	11,487,524
Net revenue available for debt service	11,319,476	12,997,703	13,960,876	14,795,425
Debt Service payments:				
Principal	2,820,000	2,940,000	3,060,000	3,170,000
Interest	4,221,045	3,782,530	2,695,072	2,575,873
Total debt service payments	\$ 7,041,045	\$ 6,722,530	\$ 5,755,072	\$ 5,745,873
Coverage (times)	1.61x	1.93x	2.43x	2.57x
Utility System Bonds:				
Net revenue available for debt service	\$ -	\$ 22,225,432	\$ 28,361,189	\$ 22,505,333
Debt Service payments:				
Principal	-	-	495,000	625,000
Interest	-	539,561	2,730,607	2,718,536
Total debt service payments	\$ -	\$ 539,561	\$ 3,225,607	\$ 3,343,536
Coverage (times)	-	41.19x	8.79x	6.73x

Source: The City of Ocala Office of Budget and Finance.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$	8,733,751	\$ 9,907,154	\$ 8,463,599	\$ 8,223,166	\$ 8,241,933	\$ 8,167,557
	1,325,000	1,360,000	1,410,000	1,450,000	1,490,000	2,560,000
	1,580,000	1,915,464	1,878,711	1,837,357	1,791,234	1,711,799
\$	<u>2,905,000</u>	<u>\$ 3,275,464</u>	<u>\$ 3,288,711</u>	<u>\$ 3,287,357</u>	<u>\$ 3,281,234</u>	<u>\$ 4,271,799</u>
	3.01x	3.02x	2.57x	2.50x	2.51x	1.91 x
\$	2,892,928	\$ 2,900,317	\$ 2,840,703	\$ 2,664,586	\$ 2,547,557	\$ 2,471,488
	1,520,000	1,555,000	1,600,000	1,650,000	1,740,000	2,720,000
	328,436	281,365	231,779	179,724	123,105	63,290
\$	<u>1,848,436</u>	<u>\$ 1,836,365</u>	<u>\$ 1,831,779</u>	<u>\$ 1,829,724</u>	<u>\$ 1,863,105</u>	<u>\$ 2,783,290</u>
	1.57x	1.58x	1.55x	1.46x	1.37	0.89 x
\$	175,441,091	\$ 177,960,026	\$ 173,550,081	\$ 145,409,199	\$ 139,183,371	\$ 150,413,508
	159,954,673	161,634,774	152,595,345	137,028,292	122,286,613	128,161,245
	15,486,418	16,325,252	20,954,736	8,380,907	16,896,758	22,252,263
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>-</u>	<u>\$ -</u>				
	N/A	N/A	N/A	N/A	N/A	N/A
\$	27,064,562	\$ 26,352,644	\$ 26,212,019	\$ 26,437,702	\$ 26,575,860	\$ 26,291,964
	13,475,885	13,015,589	12,100,557	13,963,526	13,708,115	14,441,410
	13,588,677	13,337,055	14,111,462	12,474,176	12,867,745	11,850,554
	3,295,000	3,440,000	1,011,500	3,745,000	-	-
	1,951,105	1,120,591	969,335	807,685	145,495	-
\$	<u>5,246,105</u>	<u>\$ 4,560,591</u>	<u>\$ 1,980,835</u>	<u>\$ 4,552,685</u>	<u>\$ 145,495</u>	<u>\$ -</u>
	2.59x	2.92x	7.12x	2.74x	88.44x	N/A
\$	23,828,990	\$ 25,101,716	\$ 33,085,363	\$ 16,302,398	\$ 31,906,010	\$ 34,102,817
	640,000	650,000	660,000	685,000	1,670,000	5,095,000
	4,431,856	6,835,339	6,818,629	6,799,444	6,758,853	6,880,763
\$	<u>5,071,856</u>	<u>\$ 7,485,339</u>	<u>\$ 7,478,629</u>	<u>\$ 7,484,444</u>	<u>\$ 8,428,853</u>	<u>\$ 11,975,763</u>
	4.70x	3.35x	4.42x	2.18x	3.79x	2.85 x

**CITY OF OCALA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	Population ¹	Personal Income ²	Per Capita Personal Income	Median Household Income ³	County Unemployment Rate ³
2004	47,271	1,215,857,391	25,721	34,948	3.5%
2005	49,439	1,329,563,027	26,893	35,974	2.9%
2006	51,853	1,443,289,625	27,834 ⁴	37,773 ⁴	3.2%
2007	54,238	1,562,512,924	28,808 ⁴	39,661 ⁴	5.4%
2008	54,462	1,608,190,168	29,529 ⁴	41,644 ⁴	8.6%
2009	54,800	1,658,625,128	30,267 ⁴	43,727 ⁴	13.2%
2010	56,315	1,747,091,441	31,024 ⁴	45,913 ⁴	13.9%
2011	56,545	1,798,082,530	31,799 ⁴	48,209 ⁴	12.4%
2012	57,041	1,836,528,091	32,197 ⁴	49,414 ⁴	9.8%
2013	57,387	1,870,763,977	32,599 ⁴	50,649 ⁴	7.6%

¹ The City of Ocala Office of Budget and Finance, Bureau of Economic and Business Research, University of Florida.

² Amount computed from population and per capita personal income statistics for Marion County, Florida.

³ Bureau of Labor Statistics. Amounts indicated are for Marion County, Florida.

⁴ Estimated Per Capita and Median Household Income.

**CITY OF OCALA
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO**

<u>Employer</u>	<u>September 30, 2013</u>			<u>September 30, 2004</u>		
	<u>Total Employees</u>	<u>Rank</u>	<u>Percent of Total City/County Employment</u>	<u>Total Employees</u>	<u>Rank</u>	<u>Percent of Total City/County Employment</u>
Marion County School Board	6,071	1	4.99%	N/A	-	N/A
Munroe Regional Medical Center	2,648	2	2.18%	N/A	-	N/A
State of Florida	2,600	3	2.14%	N/A	-	N/A
Wal-Mart	2,370	4	1.95%	N/A	-	N/A
Ocala Regional Medical Center and West Marion Community Hospital	1,725	5	1.42%	N/A	-	N/A
Publix Supermarkets	1,488	6	1.22%	N/A	-	N/A
Marion County Board of Commissioners	1,462	7	1.20%	N/A	-	N/A
AT&T	1,000	8	0.82%	N/A	-	N/A
City of Ocala	970	9	0.80%	N/A	-	N/A
Lockheed Martin	929	10	0.76%	N/A	-	N/A
Total	<u>21,263</u>		<u>17.46%</u>	<u>-</u>		<u>0.00%</u>
Ocala MSA Labor Force			<u>121,747</u>			<u>-</u>

Source: Ocala/Marion County Chamber & Economic Partnership.
<http://ocalacep.com/growing-jobs/business-retention/major-employers>

Note: Total labor force for Marion County which includes the City of Ocala.

**CITY OF OCALA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION
LAST TEN FISCAL YEARS**

	2004	2005	2006	2007	2008
Legislative.....	6.00	6.00	6.00	6.00	6.00
Executive.....	28.75	28.75	28.75	28.75	26.00
Budget and Finance.....	21.75	22.00	22.00	22.00	22.00
Purchasing.....	13.00	13.00	13.00	13.00	13.00
Human Resources and Risk.....	7.00	7.00	7.00	7.00	7.00
Development Services.....					
Planning.....	11.00	11.00	10.00	11.50	10.50
Building.....	23.00	23.00	25.00	26.00	26.00
Police					
Officers.....	162.00	166.00	171.00	171.00	171.00
Civilians.....	88.00	84.00	84.00	85.00	86.25
Fire					
Firefighters and Officers.....	116.00	116.00	118.00	133.00	133.00
Civilians.....	11.00	11.00	11.00	13.00	13.00
Engineering.....	65.00	68.25	68.25	67.00	67.00
Recreation.....	64.75	64.75	63.25	64.25	64.75
Public Works.....	148.00	146.00	146.00	148.00	141.00
Fleet.....	32.00	33.00	32.00	32.00	32.00
Airport.....	5.00	5.00	5.00	5.00	5.00
Golf.....	33.50	33.50	33.75	31.00	31.00
Water & Sewer.....	71.50	72.50	72.50	73.75	76.75
Telecommunications.....	6.00	6.00	5.50	6.00	6.00
Electric.....	173.25	173.25	173.75	174.00	181.00
Stormwater.....	6.00	6.00	7.00	8.00	8.00
Information & Technology.....	18.75	18.75	17.00	17.50	17.00
Community Programs.....	5.00	5.00	5.00	5.00	5.00
Total	1,116.25	1,119.75	1,124.75	1,147.75	1,148.25

Source: The City of Ocala Office of Budget and Finance

Note: All numbers are assumed to be FTEs for all reporting categories

2009	2010	2011	2012	2013
6.00	6.00	6.00	6.00	6.00
25.00	23.00	19.00	16.00	13.75
21.00	23.00	19.00	21.00	23.50
14.00	-	-	-	-
7.00	5.00	9.00	10.00	9.00
			38.00	40.25
10.00	32.00	33.00	-	-
30.00	-	-	-	-
171.00	159.00	170.00	161.00	164.00
85.50	84.00	88.00	95.00	89.50
133.00	131.00	130.00	127.00	129.00
12.00	15.00	17.00	21.00	15.00
62.00	59.00	27.00	26.00	22.00
30.50	53.00	58.00	66.00	64.00
154.50	97.00	101.00	115.00	99.00
31.00	38.00	39.00	37.00	31.75
5.00	5.00	5.00	5.00	5.00
27.50	13.00	8.00	8.00	-
76.75	72.00	79.00	78.00	77.25
6.00	6.00	6.00	6.00	7.00
173.00	161.00	165.00	165.00	155.75
8.00	8.00	18.00	-	-
17.00	16.00	17.00	17.00	17.00
5.00	2.00	2.00	1.00	1.00
1,110.75	1,008.00	1,016.00	1,019.00	969.75

**CITY OF OCALA
SCHEDULE OF AIRPORT SUBSIDY CASH FLOW ANALYSIS
FOR THE LAST SIX FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>
City Leases at Airport:			
Sports Complex Lease	\$ 132,512	\$ 132,512	\$ 132,512
Public Works - Sanitation	-	-	-
Water & Sewer Lease	9,888	10,185	10,490
Electric Facility Lease	80,711	34,638	-
Total Value of City Leases	<u>223,111</u>	<u>177,335</u>	<u>143,002</u>
City Payment For Leases at Airport:			
Sports Complex Lease	-	-	-
Public Works - Sanitation	-	-	-
Water & Sewer Lease	9,888	11,059	10,490
Electric Facility Lease	80,711	34,638	-
Total Payments For City Leases	<u>90,599</u>	<u>45,697</u>	<u>10,490</u>
City Leases - Less Payments made:	<u>\$ (132,512)</u>	<u>\$ (131,638)</u>	<u>\$ (132,512)</u>
City Funds Expended on Behalf of Airport:			
General Fund	\$ 77,858	\$ -	\$ -
Grant Match	819,133	582,962	102,365
Total City Funds Expended on Behalf of Airport	<u>\$ 896,991</u>	<u>\$ 582,962</u>	<u>\$ 102,365</u>
Net Subsidy	<u>\$ 764,479</u>	<u>\$ 451,324</u>	<u>\$ (30,147)</u>

Pursuant to an agreement with the Federal Aviation Administration (FAA), the City has agreed to include a schedule of the subsidy to the Airport Fund annually in the CAFR.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>TOTAL</u>
\$ 132,512	\$ 132,512	\$ 132,512	\$ 927,584
-	-	-	-
10,805	-	-	50,968
-	-	-	193,709
<u>143,317</u>	<u>132,512</u>	<u>132,512</u>	<u>1,172,261</u>
-	-	-	-
-	-	-	-
10,805	-	-	42,242
-	-	-	115,349
<u>10,805</u>	<u>-</u>	<u>-</u>	<u>157,591</u>
<u>\$ (132,512)</u>	<u>\$ (132,512)</u>	<u>\$ (132,512)</u>	<u>\$ (1,014,670)</u>
\$ -	\$ -	\$ -	\$ 77,858
167,885	-	-	1,672,345
<u>\$ 167,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750,203</u>
<u>\$ 35,373</u>	<u>\$ (132,512)</u>	<u>\$ (132,512)</u>	<u>\$ 735,533</u>

**CITY OF OCALA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police				
Number of calls for service	N/A	N/A	N/A	N/A
Traffic citations issued	N/A	N/A	N/A	N/A
Cases investigated	N/A	N/A	N/A	N/A
Arrests	N/A	N/A	N/A	N/A
Fire				
Number of calls for service	N/A	N/A	N/A	N/A
Fires reported	N/A	N/A	N/A	N/A
Inspections	N/A	N/A	N/A	N/A
Community Development				
Building permits issued	N/A	N/A	N/A	N/A
Value of permits issued (in thousands)	N/A	N/A	N/A	N/A
Streets and Drainage				
Street Resurfacing (miles)	N/A	N/A	N/A	N/A
Potholes repaired	N/A	N/A	N/A	N/A
Parks and Recreation				
Athletic field permits issued	N/A	N/A	N/A	N/A
Participants using the pools	N/A	N/A	N/A	N/A
Golf rounds	N/A	N/A	N/A	N/A
Fleet Maintenance				
Vehicles owned by the City	N/A	N/A	N/A	N/A
Percent maintained by Fleet	N/A	N/A	N/A	N/A
Preventive maintenance completed	N/A	N/A	N/A	N/A
Solid Waste				
Number of customers	N/A	N/A	N/A	N/A
Residential refuse collected (in tons)	N/A	N/A	N/A	N/A
Residential recyclables collected (in tons)	N/A	N/A	N/A	N/A
Commercial refuse collected (in tons)	N/A	N/A	N/A	N/A
Electric				
Avg. Number of active customers	N/A	N/A	N/A	N/A
Avg. Monthly Consumption (in KWH)	N/A	N/A	N/A	N/A
Water				
Number of customers	N/A	N/A	N/A	N/A
Max. daily plant capacity (in gallons)	N/A	N/A	N/A	N/A
Avg. monthly consumption	N/A	N/A	N/A	N/A
Wastewater				
Number of customers	N/A	N/A	N/A	N/A
Sanitary/Storm Mains Cleaned (ft.)	N/A	N/A	N/A	N/A

Source: The City of Ocala

Note: Operating Indicators information not available prior to 2012

2008	2009	2010	2011	2012	2013
N/A	N/A	N/A	N/A	233,500	239,167
N/A	N/A	N/A	N/A	12,841	11,887
N/A	N/A	N/A	N/A	5,825	6,099
N/A	N/A	N/A	N/A	2,804	2,959
N/A	N/A	N/A	N/A	11,192	19,802
N/A	N/A	N/A	N/A	238	178
N/A	N/A	N/A	N/A	2,038	2,469
N/A	N/A	N/A	N/A	1,526	1,616
N/A	N/A	N/A	N/A	79,351,004	68,726,914
N/A	N/A	N/A	N/A	-	2.50
N/A	N/A	N/A	N/A	463	566
N/A	N/A	N/A	N/A	79	116
N/A	N/A	N/A	N/A	25,450	26,130
N/A	N/A	N/A	N/A	83,607	83,612
N/A	N/A	N/A	N/A	1,207	1,213
N/A	N/A	N/A	N/A	58	40
N/A	N/A	N/A	N/A	1,069	854
N/A	N/A	N/A	N/A	15,022	15,312
N/A	N/A	N/A	N/A	16,086	14,655
N/A	N/A	N/A	N/A	2,323	3,788
N/A	N/A	N/A	N/A	34,448	35,902
N/A	N/A	N/A	N/A	50,552	50,769
N/A	N/A	N/A	N/A	1,956	1,954
N/A	N/A	N/A	N/A	23,386	23,699
N/A	N/A	N/A	N/A	24,420	24,420
N/A	N/A	N/A	N/A	14,212	10,419
N/A	N/A	N/A	N/A	27,909	28,429
N/A	N/A	N/A	N/A	152,797	156,398

**CITY OF OCALA
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

FUNCTION:	<u>2004</u>	<u>2005</u>	<u>2006</u>
Area: Land (square miles)	40.83	41.94	43.16
Miles of Streets, Sidewalks and Bike Paths			
Streets - Paved	288.96	290.34	290.34
Streets - Unpaved	7.64	6.26	6.26
Sidewalks	61.71	61.71	62.71
Bike Paths	25.47	25.47	25.47
Miles of Sewers			
Storm	70.00	74.89	74.78
Sanitary	305.69	308.29	308.29
Force Main	78.10	78.10	78.10
Water Lines			346.2
Number of Lift Stations	98	105	105
Building Permits: (includes plumbing, gas, (electric, water , heating & air conditioning)			
Permits Issued	5,708	3,042	3,202
Permit Value	\$ 167,586,874	\$ 260,076,222	\$ 298,505,664
New Construction - Units and Value:			
Commercial - Number of Units	121	185	156
Commercial - Value	\$ 41,566,248	\$ 102,095,524	\$ 102,815,257
Residential - Number of Units	376	867	881
Residential - Value	\$ 50,712,584	\$ 122,621,881	\$ 145,571,695
Fire Protection			
Stations	5	5	6
Employees - Sworn	116	116	118
Employees - Civilian	11	12	10
Fire and rescue response time (minutes)	4	4	4.5
Police Protection			
Stations	5	5	5
Employees - Sworn	157	155	171
Employees - Civilian	88	84	84
Vehicular Patrol Units - Marked Vehicles	109	112	112
Vehicular Patrol Units - Motorcycles	5	6	6
Vehicular Patrol Units - Other Vehicles	65	69	73
Recreation			
Land area (acres)	731	744	717
Activity centers	9	9	9
Pools	2	2	2
Playgrounds (not reported prior to 2004)	18	19	18

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
43.74	44.48	44.48	44.48	44.72	44.72	44.72
291.32	292.32	296.10	296.10	297.12	335.00	338.00
6.26	6.26	4.81	4.81	4.81	3.38	3.38
69.42	76.20	225.58	228.38	233.28	233.30	223.30
25.81	32.41	33.21	36.46	36.46	18.62	18.62
76.63	80.95	264.60	380.05	281.80	285.36	277.20
312.22	317.31	340.00	341.30	343.10	349.76	353.45
80.09	82.80	79.60	80.00	81.20	89.00	91.50
350.0	356.4	530.0	534.0	536.0	555.5	562.5
114	118	118	119	121	122	123
2,607	2,159	1,826	1,676	1,524	1,526	1,616
\$ 265,150,530	\$ 189,168,148	\$ 77,215,703	\$ 82,992,944	\$ 66,223,835	\$ 79,351,004	\$ 68,726,914
175	134	52	38	52	54	31
\$ 151,119,124	\$ 133,422,696	\$ 26,693,633	\$ 23,428,680	\$ 33,214,686	\$ 36,029,542	\$ 11,551,770
393	253	67	106	39	31	76
\$ 70,027,178	\$ 38,741,704	\$ 10,916,289	\$ 18,038,057	\$ 7,753,050	\$ 4,652,855	\$ 17,730,674
6	6	6	6	6	5	5
133	133	133	131	130	127	129
12	12	12	15	17	21	3
4.5	4.5	6.7	6.8	6.8	5.8	6.3
5	6	6	5	5	4	4
160	158	158	159	170	161	164
85	86	86	84	88	95	96
113	113	113	119	119	114	124
6	9	9	8	8	7	6
73	78	78	82	82	81	80
755	693	693	424	424	795	805
6	6	6	6	9	5	5
2	2	2	2	2	2	2
19	17	17	17	19	18	18

OTHER REPORTS

CITY OF OCALA, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Federal and State Grantor/ Pass-Through Grantor/Program Title	<u>CFDA/ CSFA Number</u>	<u>Pass-Through Grantor Number</u>		
FEDERAL AWARDS				
<u>U.S. Department of Commerce:</u>				
<i>Direct Programs:</i>				
ARRA Economic Adjustment Assistance Economic Development Cluster	11.307	04-79-73006	781,935	781,935
<u>U.S. Department of Housing and Urban Development:</u>				
<i>Direct Programs:</i>				
Community Development Block Grants/Entitlement Grants	14.218	B-11-MC-12-0029	64,459	
Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-12-0029	359,333	
Total CDBG-Entitlement Grants Cluster			<u>423,792</u>	423,792
<i>Passed through Florida Department of Community Affairs:</i>				
ARRA Community Development Block Grants/State's Program Total CDBG - State-Administered CDBG Cluster	14.228	10DB-4X-05-52-02-F 17	3,477	3,477
<i>Passed through Marion County, Florida:</i>				
HOME Investment Partnership Program	14.239	MC-09-DC-09-0232	84,317	
HOME Investment Partnership Program	14.239	MC-10-DC-10-0232	63,883	
HOME Investment Partnership Program	14.239	MC-11-DC-11-0232	42,915	
HOME Investment Partnership Program	14.239	MC-12-DC-12-0232	16,903	
Total HOME Investment Partnership Program Grants			<u>208,018</u>	208,018
<u>U.S. Department of Justice:</u>				
<i>Direct Programs:</i>				
Bulletproof Vest Partnership Program	16.607	2011BUBX11055292	4,478	
Bulletproof Vest Partnership Program	16.607	2012BUBX12061760	1,324	
Total Bulletproof Vest Partnership Program Grants			<u>5,802</u>	5,802
ARRA Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0231	145,462	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0650	1,602	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0706	6,958	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2787	10,723	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0866	3,841	
<i>Passed through Florida Department of Law Enforcement</i>				
Edward Byrne Memorial Justice Assistance Grant Program Total JAG Program Cluster	16.738	2013-JAGC-MARI-2-D7-168	32,739	55,863
<i>Passed through State Office of Attorney General:</i>				
Crime Victim Assistance	16.575	V12071	42,269	
<u>US. Department of Transportation:</u>				
<i>Direct Programs:</i>				
Federal Transit Formula Grants	20.507	FL-90-X771	76,876	
Federal Transit Formula Grants	20.507	FL-90-X781	896,440	
Federal Transit Formula Grants	20.507	FL-90-X821	285,413	
ARRA Federal Transit Formula Grants	20.507	FL-96-X024	858,605	
Bus & Bus Facilities Formula Program	20.526	FL-04-0051-00	24,435	
Bus & Bus Facilities Formula Program	20.526	FL-04-0103-00	111,070	
Total Federal Transit Cluster			<u>2,252,839</u>	2,252,839
<i>Passed through Florida Department of Transportation:</i>				
Highway Planning & Construction FM# 417960-1-14-90	20.205	A5065	483,365	
Highway Planning & Construction FPN: 422690-2-58-01	20.205	AQU95	269,986	
Total Highway Planning & Construction Cluster			<u>753,351</u>	753,351
Railroad Safety FM# 433834-1-94-01	20.301	AR186	15,000	
Metropolitan Planning Program FM# 422440-1-14-21 AQN78	20.505	FL-80-X021	2,975	
State and Community Highway Safety Total Highway Safety Cluster	20.600	OP-13-02-08	10,410	10,410

CITY OF OCALA, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013
 (CONCLUDED)

Federal and State Grantor/ Pass-Through Grantor/Program Title	<u>CFDA/ CSFA Number</u>	<u>Pass-Through Grantor Number</u>		
<u>U.S. Department of Homeland Security:</u>				
<i>Direct Programs:</i>				
Assistance to Firefighters Grant	97.044	EMW-2010-FH-01-126	170,723	
Assistance to Firefighters Grant	97.044	EMW-2011-FO-10-098	190,086	
Assistance to Firefighters Grant	97.044	EMW-2012-FO-06501	<u>91,444</u>	
<i>Total Assistance to Firefighters Grants</i>				452,253
<i>Passed through State of Florida Division of Emergency Management</i>				
<i>Passed through Department of Financial Services:</i>				
Homeland Security Grant Program FM# 285	97.067	11-DS-9Z-13-00-16-436	2,071	
<i>Passed through State of Florida Division of Emergency Management</i>				
<i>Passed through Marion County, Florida:</i>				
Homeland Security Grant Program FM# 285	97.067	11-DS-39-13-00-16-414	345	
Homeland Security Grant Program FM# 293	97.067	12-DS-20-13-00-16	<u>961</u>	
<i>Total Homeland Security Grants</i>				3,377
TOTAL FEDERAL AWARDS:			<u>5,156,823</u>	
 STATE FINANCIAL ASSISTANCE				
<u>Florida Department of State:</u>				
<i>Direct Programs:</i>				
Specific Cultural Project	45.062	14.5.300.254	2,737	
<u>Florida Housing Finance Corporation:</u>				
<i>Direct Programs:</i>				
State Housing Initiatives Partnership Program	52.901	SHIP	41,373	
<u>Florida Department of Transportation:</u>				
<i>Direct Programs:</i>				
Commission for the Transportation Disadvantaged Planning Grant Program FM# 193631-1-14-01	55.002	AQQ98	8,428	
Commission for the Transportation Disadvantaged Planning Grant Program FM# 432029-1-14-01	55.002	AR266	<u>1,306</u>	
<i>Total Commission for the Transportation Disadvantaged Planning Grant Program</i>				9,734
Aviation Development Grants FM# 420833-1-94-01	55.004	AQB10	6,750	
Aviation Development Grants FM# 41445-1-94-01	55.004	AQN49	<u>375,578</u>	
<i>Total Aviation Development Grants</i>				382,328
Public Transit Block Grant Program FM# 416366-2-94-01	55.010	AQN79	111,643	
Public Transit Block Grant Program FM# 404615-1-84-01	55.010	AOZ45	<u>380,029</u>	
<i>Total Public Transit Block Grant Program</i>				491,672
Economic Development Transportation Projects FM#433802-1-58-01	55.032	AR089	117,591	
TOTAL STATE FINANCIAL ASSISTANCE:			<u>1,045,435</u>	
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE:			<u>6,202,258</u>	

Notes:

(1) The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Ocala, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.550, Rules of the Auditor General. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ocala, Florida (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operations of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain other matters that we have reported to management in a separate letter dated March 19, 2014.

The City's responses to the management letter comments identified in our audit are described in the accompanying schedule. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis, Gray and Company, LLP

March 19, 2014
Ocala, Florida

**INDEPEDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited City of Ocala, Florida (the City's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and the requirements described in the Department of Financial Services, *State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major federal award programs and state projects for the year ended September 30, 2013. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit with the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

**INDEPEDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL
(Concluded)**

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Purvis, Gray and Company, LLP

March 19, 2014
Ocala, Florida

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF OCALA, FLORIDA**

PART A - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the basic financial statements of the City of Ocala, Florida (the City).
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City.
3. No instances of noncompliance material to the basic financial statements of the City are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of the basic financial statements of the City.
4. No significant deficiencies relating to the audit of the major federal programs and state projects are reported in the report on compliance with requirement applicable to each major federal programs' and state projects' internal control over compliance in accordance with OMB Circular A-133, *Compliance Supplement*, and Chapter 10.550, *Rules of the Auditor General*.
5. The independent auditors' report on compliance with requirements applicable to each major federal programs' and state projects' internal control over compliance in accordance with OMB Circular A-133, *Compliance Supplement*, and Chapter 10.550, *Rules of the Auditor General* expresses an unmodified opinion for the major federal award programs and state projects for the City.
6. The audit disclosed no findings required to be reported under Section 510(a) of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* relative to the major federal programs and state projects for the City.
7. The programs tested as major programs included the following:
 - **Federal Programs**
 - U.S. Department of Commerce:
 - ▶ Recovery Act Economic Adjustment Assistance, CFDA No. 11.307
 - U.S. Department of Transportation:
 - ▶ Federal Transit Cluster
 - Recovery Act Federal Transit Formulas Grant, CFDA No. 20.507
 - Federal Transit Formulas Grant, CFDA No. 20.507
 - Bus and Bus Facilities Formula Program, CFDA No. 20.526
 - **State Projects**
 - Florida Department of Transportation:
 - ▶ Aviation Development Grants, CFSA No. 55.004
 - ▶ Public Transit Block Grant Program, CFSA No. 55.010
8. The threshold for distinguishing Type A and Type B programs was \$300,000 for major federal award programs and \$300,000 for major state projects.
9. The City qualified as a low-risk auditee pursuant to OMB Circular A-133.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS AND STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF OCALA, FLORIDA
(Concluded)**

PART B - FINDINGS - FINANCIAL STATEMENTS

No findings and questioned costs related to financial statements were disclosed during the audit.

PART C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

No findings and questioned costs related to major federal award programs were disclosed during the audit.

PART D - FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

No findings and questioned costs related to major state projects were disclosed during the audit.

PART E - SUMMARY SCHEDULE OF PRIOR FINDINGS

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs and state projects.

No Corrective Action Plan is required because there were no findings required to be reported under the *Federal* or *State Single Audit Acts*.

MANAGEMENT LETTER

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

We have audited the financial statements of the City of Ocala, Florida (the City) as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated March 19, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Florida Auditor General*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Florida Auditor General*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 19, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the following management letter comments under the heading "Prior Year Comments and Recommendations Remaining."
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, such recommendations are noted in the following management letter comments under the heading “Current Year Comments and Recommendations.”
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., *Rules to the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. These disclosures can be found in the notes to the financial statements, as of and for the year ended September 30, 2013.
- Section 10.554(1)(i)6.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)6.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), *Rules of the Auditor General*, require that we apply financial condition assessment procedures. It is management’s responsibility to monitor the City’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Pursuant to these rules, we applied financial condition assessment procedures as of and for the City’s year ended September 30, 2013.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Purvis, Gray and Company, LLP

March 19, 2014
Ocala, Florida

MANAGEMENT LETTER COMMENTS

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

During the course of our audit, the following items came to our attention. These items involve primarily operational matters which, if improved, will result in more efficient and effective operations:

Prior Year Comments and Recommendations Remaining (Updated For Current Year)

While much progress has been made in these areas, they are not yet complete and we recommend that the City continue its efforts in these areas:

2012-09—Information Technology (IT) Environment and IT General Controls

Summary of Original Comment: As a part of the City's annual financial audit, we have performed limited IT audit procedures to gain an understanding of the City's IT environment and IT general controls over key financial reporting applications. Our procedures were performed to provide a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for expressing an opinion of the effectiveness of the overall IT environment and IT general controls.

Our procedures do not constitute a full IT audit or IT risk assessment. As a result, there may be additional best practices associated with IT areas beyond these limited areas that should be evaluated by obtaining a full IT audit or risk assessment, to provide assurance that the IT function is adequately controlled and protected.

Because of the significance of the areas not covered by the annual financial statement audit, we recommend that the City consider the need for obtaining additional IT audit or risk assessment services to determine that all necessary controls in this critical department are properly designed and implemented.

Additionally, we recommend that the City review, approve, and implement a formal, comprehensive set of IT policies and procedures that describe the process, policy, procedures, and controls over the following areas (at a minimum):

- User Access.
- Program Changes (includes updates to applications, configuration changes, report changes, etc.)
- Password and security settings.
- Backup and Recovery.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

Prior Year Comments and Recommendations Remaining (Concluded)

2012-09—Information Technology (IT) Environment and IT General Controls (Concluded)

We recommend that the City consider periodically evaluating its policies and procedures against an established IT General Control framework, such as the IT Governance Institute's *Control Objectives for IT* (COBIT) framework and consider updating its policies and procedures to improve their alignment with such framework. As part of this process, the City should establish and formalize a policy review process which includes annual review, management approval and criteria for redistribution of policies upon change.

2013 Update—The City has contracted with an external vendor to provide an IT Risk Assessment that will also include a review of IT policies and procedures, which was in process during our audit. We look forward to reviewing the results with management, as part of the 2014 audit.

Current Year Comments and Recommendations

2013-01—Crystal River III Settlement Proceeds

During 2013, Duke Energy (the majority owner of CRIII) decided to retire the plant and withdrew its application to the Nuclear Regulatory Commission for a license extension and provided the City with insurance proceeds of \$2,698,599 from Duke's settlement with its insurance provider during 2013.

City management has determined that these insurance proceeds were settlement for damages related to the plant. As a result, the City has written off its remaining net investment in the plant of \$2,080,466 and reported a gain of \$618,133 as of September 30, 2013.

The City has designated the Florida Municipal Power Agency (FMPA) as its agent in settlement negotiations with Duke Energy. Management expects that these negotiations will be concluded during the City's 2014 fiscal year and has indicated that the City may receive additional settlement proceeds.

Because these settlement proceeds are related to the City's minority ownership interest in the CRIII nuclear electric generation facility, which had been expected to continue to generate low cost electricity for the City for another 20 years until the unit was retired, and because of the likely increase in power costs that the City may experience as a result of the unit's retirement, we recommend that the City carefully consider how these settlement proceeds are used.

We offer the following ideas for the City to consider for the use of the settlement proceeds:

- Retained in the fund and used for Rate Stabilization or Power Cost Adjustment (PCA) deferral, to be amortized against future power costs to help keep customer rates low over a period of time to be determined by the City.
- Retained in the fund and used as reserves.
- Retained in the fund or partially outside the fund and used for economic development activities that would benefit the electric fund.

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

MANAGEMENT LETTER COMMENTS
(Continued)

Current Year Comments and Recommendations (Continued)

2013-02—Pension Changes and New Accounting Standards

Effective October 1, 2013, the City significantly modified the general employee pension plan to limit the cost of the plan and reduce the underfunding of the plan over time. The new plan is a hybrid type plan with many variables including frozen and optional fixed or variable benefits, employer contribution corridors, and variable member contribution rates, all of which tend to increase the inherent complexity of administering the plan. Historically, the major portion of the day-to-day administration of the plan has been accomplished with in-house personnel and limited use of actuaries.

Additionally there are new accounting and financial reporting standards for employers and their pension plans, which will require increased reliance on the work of actuaries for new financial reporting disclosures and calculation of the unfunded pension liability, which will soon be reported as a liability within the City's Financial Statements.

Given the complexity of the new plan and the upcoming new accounting and financial reporting standards, we believe it is important that in-house personnel receive additional training on administering the new plan and that the City expect to rely more on the actuary for services that were previously done in house.

2013-03—New Utility Billing System

The City has implemented a new utility billing system effective October 1, 2013. This system is a critical component of the City's operations and its internal control over financial reporting, with approximately \$240 million of revenues flow through the utility billing system. The utility billing process is inherently complex due to the volume of customers, multiple utilities, different rate structures, calculations, taxes, and interface with the financial application.

In the previous system conversion that the City did several years ago, the interface of the billing system to the financial reporting system was not thoroughly vetted prior to conversion, causing significant issues in the financial system, which took several years to detect and correct. The City's Finance department is in the process of assessing the effectiveness of the interface of the new system with the financial reporting system and has identified issues affecting cash and accounts receivable balances which are currently being investigated.

We recommend that the City continue its review of the system interface with the general ledger and implement any required changes that may result from the conversion process. Specific attention should be provided to cash and accounts receivable reconciliations in this process.

Additionally, we recommend that the City review and update its existing utility billing and cash collection processes, procedures, and controls for any changes necessary to compensate for any risks or operational improvements that the City identifies with the new utility billing software. As a part of this process, the city should also consider formalizing its line loss reconciliations for both electric and water and increase documentation of all taxes levied through the system.

The Honorable Members of the City Council
City of Ocala
Ocala, Florida

MANAGEMENT LETTER COMMENTS
(Concluded)

Current Year Comments and Recommendations (Concluded)

2013-04—Capital Assets Accounting Procedures

The City has a very significant investment in capital assets in both its governmental and business type activities. The City has also made tremendous improvements in accounting for its capital assets area over the past few years. As the City continues to improve on its financial reporting processes and City management continues to look for opportunities to enhance controls to ensure that transactions are recorded properly and to streamline the financial reporting process and the accuracy, completeness, and timeliness of financial information, we encourage the City to continue these efforts in this area.

2013-05—Cost Allocation Methodologies and Accounting

The City allocates costs among benefiting departments related to Fleet, Facilities, Information Technology, Printing and Copying, Customer Service Office, Telecommunications, Risk Management, Health Insurance, and Workers Compensation. During our review of this area, we noted that the cost allocation methodologies had not been reviewed or updated in the past few years.

Additionally, we noted that the electric fund is receiving transfers in from the water and telecommunications funds for employees that work between all three funds but are paid out of the electric fund. We believe that this should be done as a cost allocation affecting wages in the operating section of each fund rather than as transfers, so that the operating wages in each fund is accurate by itself without having to consider non-operating transfers as an adjustment of operating wages.

Based on these observations, we believe the City should consider reviewing the costs allocations methodology and accounting to determine:

- That the methodology considers all costs related to these existing operations.
- That the method for each cost allocation provides a reasonable basis for the allocation of the costs to the user funds.
- If a true-up mechanism is necessary if actual costs are over or under allocated each fiscal year.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to take this opportunity to express our appreciation for the courtesies which have been extended to our staff. If you have any questions or comments about the contents of this letter, or the information accompanying this letter, please do not hesitate to contact us.

Purvis, Gray and Company, LLP

March 19, 2014
Ocala, Florida



Find your place

OFFICE OF BUDGET AND FINANCE
110 SE WATULA AVENUE
OCALA, FLORIDA 34471

City's Response to Auditor's Recommendations

Prior Year Comments:

2012-09: The Information Technology Assessment should be complete in April 2014 and recommendations will be implemented with the 2015 budget.

Current Year Comments:

2013-01: Once a settlement is reached and proceeds are received, staff will work with the Council to properly report the funds.

2013-02: The Chief Financial Officer will monitor the work of the pension staff and work with the Pension Board Chairman to ensure that the actuaries are involved with the new pension changes. The new accounting standards will be included in the next financial report, as required.

2013-03: Finance will review the system interface with general ledger related to cash and accounts receivable reconciliation to ensure accurate reporting by September 30, 2014. The Utility Services department is in the process of reviewing all policies and procedures and will be working to update all processes, procedures and controls as necessary, which included line loss reconciliations and taxes levied through the system.

2013-04: Finance will work with departments to ensure capital assets are reported accurately and processes are improved to enhance controls.

2013-05: Finance concurs that the methodology should be reviewed and will include that as part of the budget process for 2015. Copying has already been corrected. Telecommunication and Risk should be reviewed annually. Health Insurance rates are developed by the agent. Worker's Compensation rates are established by the actuary. Annually, Fleet should be done by vehicle type; Facilities by building square footage; and Information Technology by number of devices in service.

A handwritten signature in cursive script, appearing to read "Diane Reichard".

Diane Reichard, CPA, CGMA, CGFO, CPFO
Chief Financial Officer/Assistant City Manager
City of Ocala, Florida